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# BUSINESS WEEK

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American Airways

GOOD NEIGHBOR—Buenos Aires, where representatives  
of the American republics are gathering to discuss plans  
for trade expansion—surest way to preserve peace.

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## THIS COULDN'T HAPPEN—without Alloy Steels

• He's come in a fast—light—strong—economical motor car.

He's off in a fast—light—strong—economical plane.

He takes for granted the revolutionary development of modern transportation.

Yet the speed and comfort of his car and his plane—their tremendous strength per pound of weight—their economy of operation—their sturdiness and long life—are due almost entirely to the proper use of specially developed alloy steels—many of them pioneered by Republic metallurgists.

Intensive work and broad experience with alloy steels of all kinds have made Republic their largest producer.

But Republic also is a leading factor in the production of fine carbon steels and other products in which uniform quality is so important. And through such subsidiaries as Berger and Truscon, Republic reaches the consumer direct with scores of additional fabricated metal products.

Republic representatives have a wide knowledge of steels and their profitable application to industry. Call any Republic office. They are located in all principal cities.



**REPUBLIC STEEL CORPORATION**  
GENERAL OFFICES: REPUBLIC BUILDING, CLEVELAND, OHIO



Approximately forty cents out of every dollar that Republic Steel takes in, is redistributed in the form of wages among 49,789 employees in thirty-nine plants in twenty-seven different cities. These employees, with their immediate families, number close to 200,000 people, who through their individual purchases help to support thousands of others in their respective communities.

When writing Republic Steel Corporation for further information, please address Department BW

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## New Business

No longer will any Tom, Dick or Harry with a "following" do. New York Stock Exchange firms are going beyond lip service in seeking customers' men. In a recent help wanted advertisement, Spencer, Trask & Co. asked for "investment men" to serve as salesmen or customers' men. Time was when anyone who could bring in commissions would get the job. Now a knowledge of investment fundamentals is apparently considered a pre-requisite.

Railroad income is rising and the roads are putting themselves in shape to handle the increased traffic. Witness the largest locomotive order since 1931 with the Chicago, Milwaukee, St. Paul & Pacific buying 30 Hiawatha type streamline steam engines from Baldwin Locomotive. And the order, coming to approximately \$4,000,000, is larger than any full month's business booked by Baldwin since June, 1931.

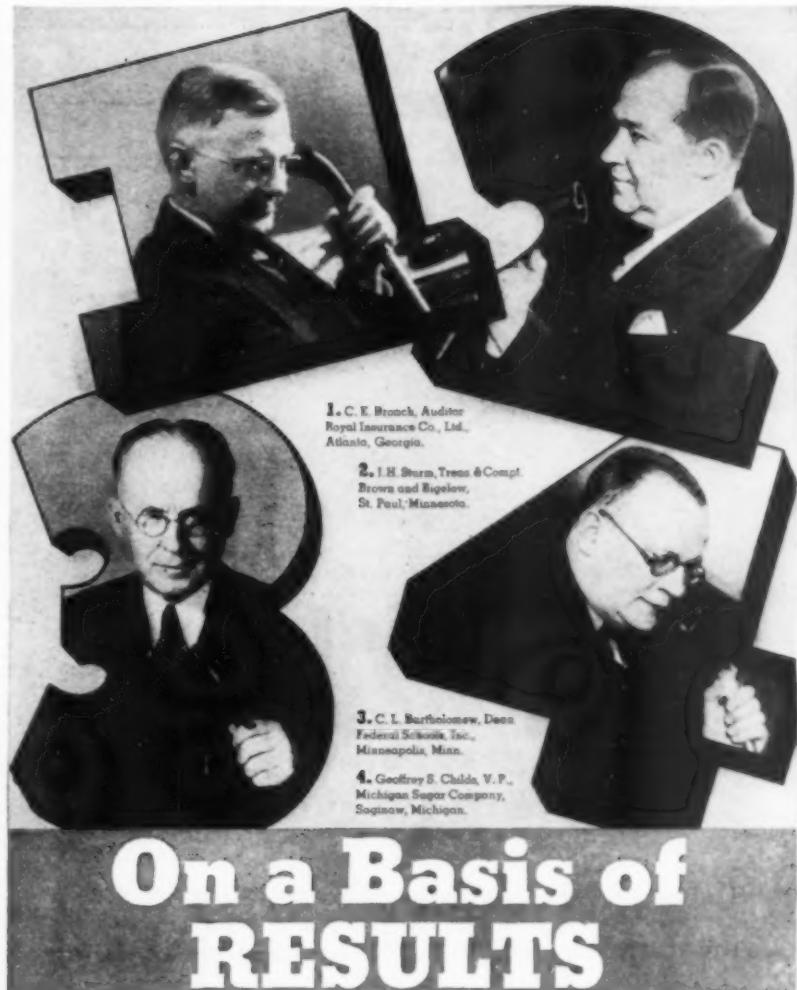
To kill two birds with one stone is proverbial but difficult; to kill three is miraculous. But Krueger Beer and Ales, Inc., essays to do just that with a com-



bined "K-Man" trademark, self-service dispenser and poster designed and built by Einson-Freeman Co., Inc., for the simultaneous merchandising of beer in three types of containers.

Steel construction may seem far removed from the whims of the consuming public, but the industry knows it is not. A recent industrial phenomenon has been the work the American Institute of Steel Construction has done to beautify steel bridges. A large part of its recent three-day convention was devoted to addresses

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## On a Basis of RESULTS

THERE'S nothing vague or shadowy about what's putting more and more Dictaphones into offices of every sort and size. *Dictaphone gives results*. It provides short cuts through detail work. It smooths out office routine. It saves time, cuts down errors, cuts out costly misunderstandings. The near-miracle that Dictaphone works in speeding up your handling of correspondence is today only one of a dozen uses of at least equal importance.

Just what these unique services are, you may learn without cost or obligation—and in a surprisingly brief time—by a demonstration right in your own office. A phone call to our local office will convince you there's no catch in this offer.

Or as a first step toward that interesting test, we invite you to read a part of Dictaphone's brass-tacks story in the booklet, "What's An Office Anyway?" Send the coupon below for it today. It's a mighty absorbing story!

### Among the Prominent Users of Dictaphone Are:

Mather Bros., Inc., Atlanta, Ga.  
Anchor Cap & Closure Corp., Long Island City, N. Y.  
Beckett Paper Company, Hamilton, Ohio  
Automotive Daily News, Detroit, Mich.

## THE TREND TO DICTAPHONE SWEEPS ON

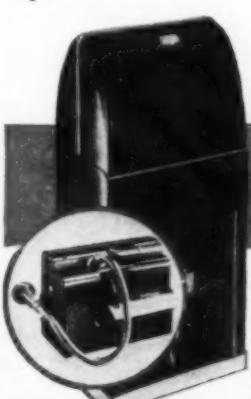
The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

BW-11

Dictaphone Sales Corporation  
420 Lexington Avenue, New York, N. Y.  
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I want to see your representative.  
 Please send me my copy of "What's An Office Anyway?"

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Exclusive Nuphonic recording and reproduction of the improved Dictaphone duplicates the human voice almost perfectly.



## Meet Rigid Industrial Demands

Definitely designed and built to meet the most rigid *industrial* requirements and the exacting demands of heavy duty continuous precision production — these fractional horse power Century Polyphase Motors fully measure up to every performance requirement of the tools and equipment they drive.

**Quiet starting — Quiet running — Remarkable freedom from vibration — Harmonizing appearance — Built throughout to precision standards.**

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600 HORSE POWER

and discussions which recognized the fact that the future of American business depends upon public reaction to the public policies of American business.

"Private industry has not done an adequate job for the wage earner," says Robert Wood Johnson, head of the large surgical dressing company, Johnson & Johnson. "Industry must offer the man who wants work a good job at good pay, with reasonable security. Private business, with government help, must now move to set up a system of simple regulation. . . . Amend the Constitution, if necessary, to let Congress fix maximum hours, he urges.

With the increasing importance of the fresh fruits and vegetables division of their business, nine jobbers operating voluntary chain systems in West Virginia, Ohio, Indiana, Illinois, Iowa, and South Dakota, have joined forces in organizing Fresh Foods, Inc., a common buying agency to direct all purchasing operations. Individually, each has aggressively promoted its fresh produce department; collectively, they think they can now effect additional economies, coordinate merchandising effort. Fresh Foods, Inc., contemplates extension on a national basis.

French and British merchants will soon be able to deliver their products direct by truck to consumers on the other side of the Channel. The big new cross-Channel railroad ferries which traverse the Channel by night with the London-Paris and Paris-London sleeping car trains are to be used by day to transport freight trains, passenger cars, and trucks between Dunkirk and Dover.

A "must" for office libraries: Second annual edition of "Schedule of Shows and Expositions" covering all business, industrial, trade, agricultural, professional and miscellaneous 1937 exhibitions, but not individual exhibitors—published by Exhibitors Advisory Council, Inc., 330 W. 42nd St., New York.

Modern industry in the form of air conditioning comes to the rescue of *Old Ironsides*. To preserve the proper humidity and check shrinkage of timbers, Carrier Corp. with the assistance of engineers in the Boston Navy Yard will install special heating and conditioning equipment.

Now the limited editions idea enters the cosmetic field. Appealing to milady's vanity, Maison Jurelle of New York City will issue twelve new fragrances, all packed in special containers and each backed with the guarantee that not more than 1,000 women in the world will have a chance to use that special type. Base price is \$12.50 an ounce.

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# Do you mean to tell me that Silent Chain Drives cost less than Belts?

• "It surprised me, too, but it's a fact. I always knew they were *better* than belts—because they can't slip and waste power—but when I found out they were *cheaper*, I didn't lose any time putting them in."

Hundreds of executives responsible for keeping production up and costs down have made this interesting discovery and have switched to Link-Belt Silent Chain Drives. Measured over a period of years, their cost is infinitely lower than belts—but often even their first cost is less.

And, in addition, Link-Belt Silent Chain Drives have many other advantages; they transmit full speed and power, assure a uniformity of product, maintain production, save space, require no attention, are smooth and quiet in operation, and their life is measured *not by years but by decades*.

Made for any horsepower and stocked in sizes up to 60 H. P. Ask for Pink Stock List No. 1725. Link-Belt Company, Indianapolis, Philadelphia, Chicago, Atlanta, San Francisco, Toronto. Offices in principal cities.

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★ T. M. REG. U. S. PAT. OFF.

See our Exhibit at The National Exposition of Power and Mechanical Engineering, Grand Central Palace, New York, Nov. 30-Dec. 3.

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**KEASBEY & MATTISON  
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You are sure of unusual satisfaction when you specify K & M Asbestos and Magnesia Products. Behind them are long experience in working with the profession; rigid quality-control; and more than 60 years of pioneering with insulation and building materials . . . including the production in 1905 of the first asbestos-cement shingles made in this country.

As leaders in the development of asbestos architectural and building materials, as well as insulation of all types, Keasbey & Mattison Company offers a complete line.

**Asbestos Roofing and Siding Shingles  
in various sizes, styles and colors**

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**Asbestos Insulation in sheets and blocks**

**Asbestos Insulating Cements**

**Asbestos Packings and Gaskets**

The K & M representative who calls on you is trained to work with the profession.

# Washington Bulletin

WASHINGTON (Business Week Bureau)—Don't put as much weight as Washington did this week on the failure of the Supreme Court to knock down the New York unemployment insurance law. At most, it means that similar state laws may hold, but it was a freak that leaves the lawyers cold. If the state Court of Appeals had held the law unconstitutional, the same 4-4 vote would have killed it, for in an equally divided court, the lower court's decision is controlling. Assuming that Justice Stone's vote would have resulted in an affirmative decision, which is the New Deal's hope for the future, it does not follow that the court will uphold the unemployment insurance title of the federal law.

## Only a State Matter

Two points temper the optimism of Administration officials who view the "break" for Roosevelt objectively: (1) Counsel for the state, in defending the suit, insisted that the state act must stand on its own feet because it was founded upon powers reserved to the state. (2) As the case came up from a state court, which only considered the state law, there was no opportunity to attempt to show that the federal law is unconstitutional, designed to coerce the states, or improperly drawn.

## Doesn't Broaden Powers

The New York Law was carefully framed on the principle, previously upheld by the Supreme Court, of exerting the state's taxing and police powers to provide workmen's compensation for injuries. As the state court's decision does not broaden the powers of the state already established in a long line of cases, the Supreme Court's negative action does not portend a broader definition of state rights to regulate wages and hours or to apply other New Deal proposals for controlling industry.

## No, He Hasn't Changed

Just how much stock can business put in the statement of Pat Harrison, Senate Finance Committee chairman, that he favors some concessions in the undistributed earnings tax to encourage expansion of plant and equipment? Jesse Jones said the same thing a few weeks ago and at that time it was believed he had the President's ear. But since then there have been indications that Roosevelt has not changed his mind on taxes. Although the crackdown attitude is not so much in evidence, he is still against bigness.

## NO BERRY WORRY

*In the President's absence, business men can rest secure that nothing that may embarrass them, such as the Berry Conference, will prejudice them with Roosevelt. This advice comes from sources closer to Roosevelt than Berry is. The President will speak for himself when the time comes. Meanwhile, he will observe along what lines business displays its desire to cooperate. This is more likely to come out of its contacts with federal agencies such as the Social Security Board, Securities & Exchange Commission, and National Labor Relations Board, than out of discussion in any conference.*

## Wants Measured Prosperity

As one of the New Dealers remarked this week: "The President is for prosperity, but he wants a measured prosperity, a slower tempo." And when a lot of money is made, he wants the government to get its cut, through taxes.

## Still Favors Tugwell Idea

The pyramiding of expansion and profits doesn't mix well with industrial stability and security for the individual, which is what Roosevelt wants. He opposes plowing such a large portion of industrial earnings back directly into business. Tugwell has gone, but Tugwell's hand is still influential. In 1933 he wrote: "It is over-optimistic internal expansion and the use of funds, earned in the past, to commit the concern to increased activity which cause the problems of surplus which yearly grow more acute. If taxation forced these funds into distribution as dividends, they would have to seek reinvestment through the regular channels, and a concern's plans for expansion would be subject to check in the investment market."

## Even A. T. & T.

Even American Telephone may have to follow prediction made by Jesse Jones on future dividend policy

of American corporations—to change rates of distribution from year to year. This may prove annoying to folks living on dividend incomes, but it will prune the total taxes the company would have to pay over any given period.

## Just in Case

The Federal Reserve sounds a warning, but most of its officials readily admit that they believe speculation will not outrun the improvement in business. If action becomes advisable, it will be due not to any danger in the present situation but to a desire to prevent unhealthy conditions from forming. There are some who think the best approach would be through the open market committee, rather than through another boost in the excess reserve requirements.

## Honesty No Safe Policy

Now if Rep. Patman would only administer his own law, business might not have to worry so much. He apparently thinks that advance publication to the trade of proposed discount and allowance schedules is sufficient to protect a manufacturer against charges of price discrimination. Such at least is his theme song on the big lecture tour he is making for McKesson-Robbins, drug wholesalers. Honest confession may be good for the soul, but it's not good enough for the Federal Trade Commission, which this week cracked down on Standard Brands and Anheuser-Busch, despite the fact that these two firms, like earlier defendants, had fully and openly advertised their discount scales. FTC seems to think the law bans any and all differentials. This attitude will be clear enough when FTC opens first hearings in the Bird-Montgomery, Ward case at Boston, Dec. 7.

## Coincidence

Incidentally, that Chautauqua stint which McKesson-Robbins hired the gentleman from Texas to do raises another hen-egg story. Almost simultaneously there appeared (1) a double-truck advertisement in which McK-R neatly capitalized the congressman's apparently chance reference to them as a great wholesaling house and (2) an announcement that Mr. Patman's lecture agency had signed him up for the big junket sponsored by McK-R.

## Board Helps Unions

National Labor Relations Board's orders in International Harvester and Radio Corp. cases are freely interpreted in Washington as bold move to clear the path for labor unions. There's not much hope for building



Attractive Lobby of Wellington Hotel, Albany, N. Y.

## MODERNIZED HEATING IN 500-ROOM ALBANY HOTEL

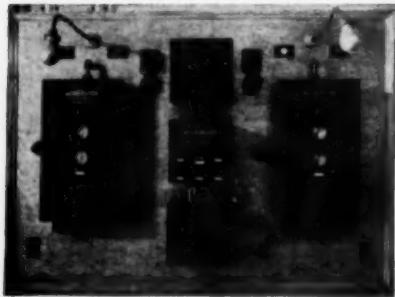
Use Webster One-Pipe Moderator System to Get Two-Pipe Heating Results

SAVE \$2,177.45 IN TWO YEARS

Albany, N. Y.—The owners of Albany's fashionable 11-story Wellington Hotel avoided the prohibitive cost of changing an existing one-pipe system to two-pipe operation by installing a Webster one-pipe Moderator System.

The cost of heating has been reduced \$2,177.45 during the first two heating seasons after completion of the installation. Thus, the Wellington Hotel is getting comfort and heating cost comparable with those obtained by Webster controlled two-pipe systems, without an expenditure for return piping.

Two central main steam control valves, actuated by an automatic outdoor thermostat, control steam distribution to the hotel's 728 radiators. Separate heating control is provided for the hotel's 200-car garage. Manual Variators permit the operator to increase or decrease steam delivery to meet special conditions. A temperature of 72 degrees is maintained between 7 a.m. and 12 midnight daily, a heating load of 119 hours a week.



Central Control Panel in Wellington Hotel

In the Wellington Hotel, the Webster Moderator System has demonstrated its effectiveness both with oil burner and with automatic stoker, the change in fuel being made during the first year after installation of Webster Central Control.

Claude Holding, president of Wellington-Albany, Inc., owners of the hotel, expresses satisfaction with the effectiveness of the Webster Moderator System.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Branches in 60 principal U. S. Cities — Estab. 1888

a defense in company unions if the board flouts the principle of employee representation and construes its authority to declare a company union ineligible for collective bargaining as extending to dissolution.

### That Skilled Labor Shortage

Though there's a lot of talk about the shortage of skilled labor not much is being done about it. However, there's an indirect approach to the problem in a survey that the U. S. Employment Service is completing of the cotton goods branch of the textile industry. Surveys in the rayon, silk, and wool branches will follow. The studies cover fitness of the job for the worker, fitness of the worker for the job, and the similarities in the skills required by different trades, indicating how a worker in one could be shifted to another.

### Tightening the Straitjacket

Federal Power Commission's internal organization is being overhauled for more effective administration of the holding company act. A tighter straitjacket for utilities is seen as commission's functioning improves in interstate power field and as closer cooperation with state regulatory bodies is sought in regional offices.

### Second Version Wins

Working of new control is instanced by commission's recent decision on proposed merger of two Pennsylvania utilities in Associated Gas & Electric system. First plan was turned down on ground that it benefited one company at expense of another; revised substitute, which met this objection, got commission's approval last week.

### Regret Their Salvation

Now appears—with reviving earnings—the first evidence of regret that the Reconstruction Finance Corp. was ever set up. Some railroad officials especially wish their companies had taken it on the chin in early depression days instead of being "saved" by government loans. If they had, they would not now owe such prodigious sums to the government, and even bonds in private hands would have been scaled down more drastically. So they would now have more to spend for improvements and be generally in sounder financial position.

### Truck-Railroad Decision

Approval of the Keshin-Chicago Great Western plan for hauling loaded trucks by rail reveals that the Interstate Commerce Commission is not opposed to novel means of developing a coordinated transportation system. It means that the railroad

will earn something on traffic that otherwise would roll over the road, that the truck carrier will cut its operating expenses, that shippers will pay no more than over-the-road rates.

### Tug on Ex-Tugwell Bill

The Tugwell bogey lies a-mouldering in a well-earned grave, but the food and drug bill goes marching on—straight on into one of the scrapiest interbureau dogfights which has delighted Washington in a long time. Row is over the all-important control of advertising; protagonists are the Food & Drug Administration and the Federal Trade Commission. Last year, FTC's powerful lobby blocked action in the House when even industry critics were satisfied with the prospect of F&DA regulation of advertising. This year, the Administration and its friends think it might be smarter to approach the problem via the amendment route—amending the law of 1906. They figure FTC would have a tougher time muscling in.

### Flow of Foreign Capital

The Treasury is not hopeful of devising a satisfactory legislative method of curtailing the inflow of foreign capital, but periodic tabulation and publication of movements of international capital, showing the countries involved and the principal purpose of each transaction, is expected to be helpful. Such publicity has been urged from time to time, but it took the present situation to get the practice started.

### War Debt Payment?

With more than seven billion dollars of foreign funds in the United States, about one billion of which has arrived in the last year, advocates of doing something about collecting foreign debts are getting active. They argue that if foreigners can find dollars to buy U. S. securities, the governments ought to be able to find dollars to pay their debts. Meanwhile, France and Italy are reported to be considering some settlement which will reopen door to America's treasury when THE DAY comes.

### Don't Want War—Now

Diplomats here believe THE DAY is still several years hence. They insist that no country in Europe is ready and, as yet, no grouping of nations is firm enough for reliance when trouble breaks. This explains desperate efforts to wet-blanket Spanish and other sparks when they fly near gunpowder and presents a sharp contrast with the situation in 1914, when in one or two chancelleries there was a will for war, instead of the present general eagerness to defer it.

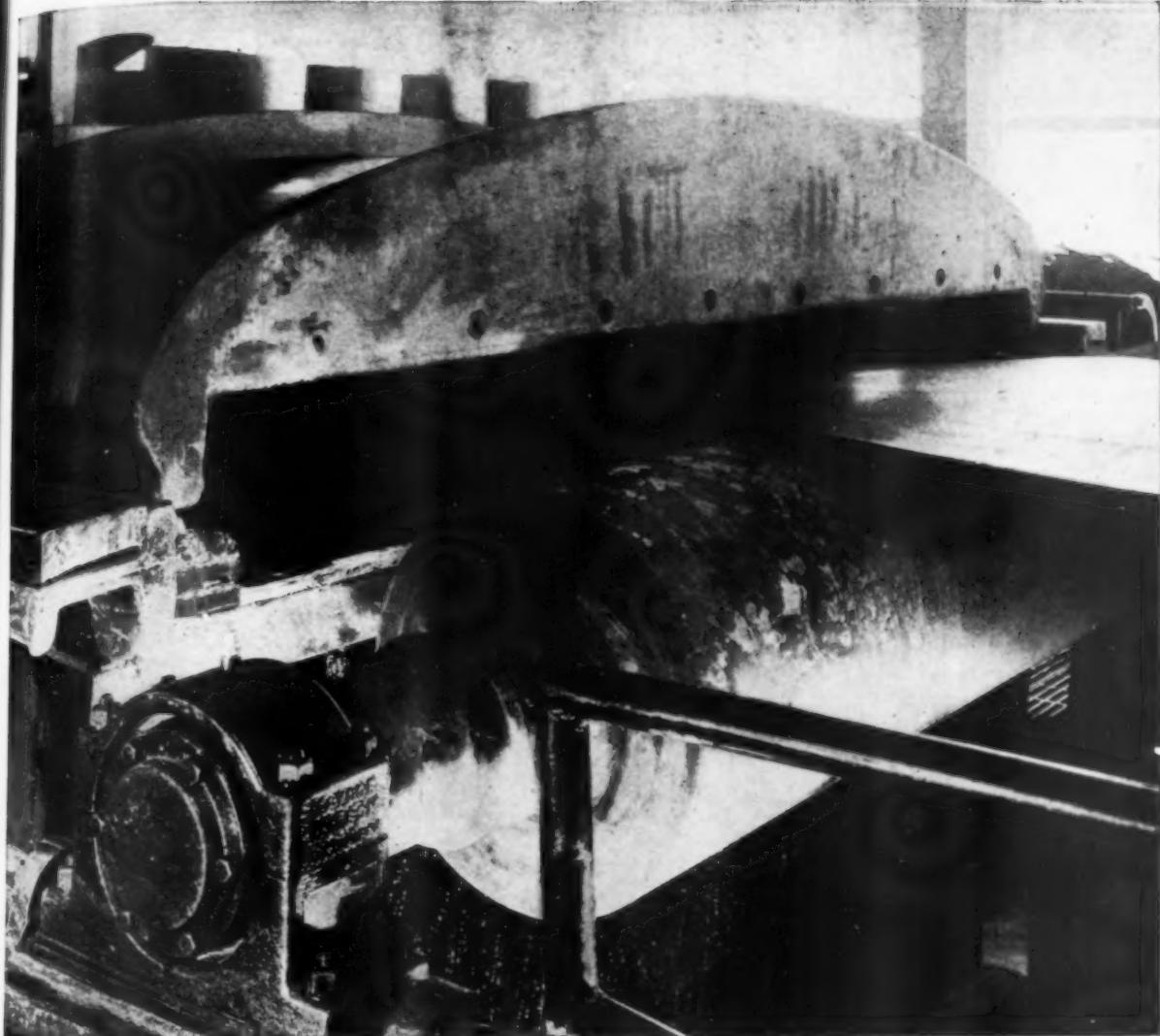
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## "WATCH THE FORDS GO BY"

*A typical example of Goodrich improvement in rubber*

See it? . . . there goes the steel for another Ford! It's rushing through this tank of hot acid, to clean off scale—a process steel men call "pickling." It must reach the assembly line on time. A stoppage of steel, for repair of this pickling tank, would shoot up costs, cause serious delay to a nation demanding a new Ford every 3 minutes of every day.

Pickling tanks used to be made of wood. But the wood leaked, endangering workers, causing constant expense, and then giving out entirely. Masonry tanks were tried, special brick and mortar were developed; these were better but never entirely free from leak-

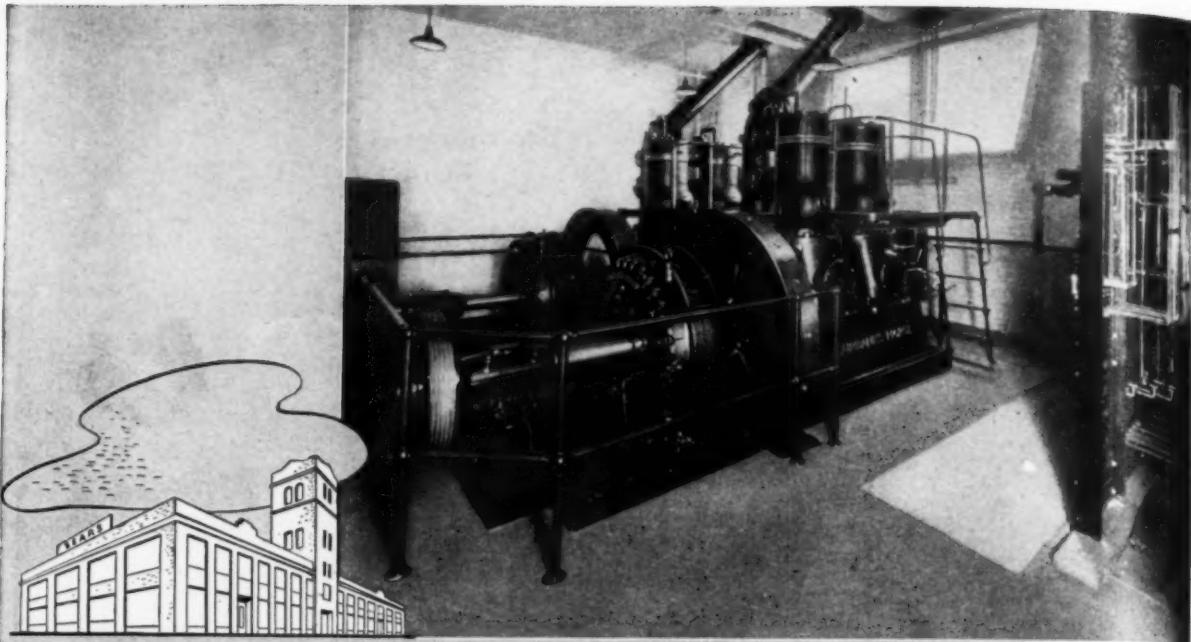
age. Every conceivable material and method were tested . . . none could fully withstand the combined effect of hot acid, vibration, expansion and contraction of changing temperature. . . . A satisfactory pickling tank seemed impossible, but Goodrich believed one could be made with rubber linings.

Goodrich engineers had already developed a way to attach rubber to steel with an inseparable bond. They designed an expansion joint which lets the rubber expand and contract with the steel to which it is attached. Then Goodrich perfected a lining, not of one layer of rubber, but three—hard rubber sandwiched between soft—and over

this a sheathing of brick. Here at last was a tank that was impervious to acid, would stand abuse, never leaked, and would last indefinitely.

Not all Goodrich developments are as spectacular as this one, but hundreds have been as important to industry—developments which have made belting, hose and almost every other rubber product last longer and serve better. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

**Goodrich**  
*ALL products problems IN RUBBER*



## SEARS-ROEBUCK POWERS RETAIL STORE WITH F-M DIESEL POWER—AND SAVES MONEY!

● In the Sears-Roebuck retail store in Camden, N. J., purchased power costs were far too high. Could Diesel power bring them down?

It could, and it did. Two Fairbanks-Morse Diesels installed in the rear of a first-floor stock room have been in service nearly three years this Christmas. So quiet no browsing customer can suspect their presence, they are delivering dependable, economical

power every working day of the year at a fraction of the cost previously encountered with purchased power.

Could you use savings like these? Then ask for your free copy of "Diesels and Profits," which shows how it can be done. For your copy, address Department N-831, Fairbanks, Morse & Co., 900 S. Wabash Ave., Chicago, Ill. 34 branches at your service throughout the United States.

**FAIRBANKS-MORSE**   
*Diesel Engines*  
106 YEARS OF PRECISION MANUFACTURING  
POWER, PUMPING AND WEIGHING EQUIPMENT

## BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



| BUSINESS WEEK INDEX . . . . . | Latest Week | Preceding Week | Month Ago | Year Ago | Average 1931-35 |
|-------------------------------|-------------|----------------|-----------|----------|-----------------|
|                               | * 77.0      | † 75.7         | 75.3      | 69.3     | 61.3            |

### PRODUCTION

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| ★ Steel Ingot Operation (% of capacity) . . . . .                                     | 74.3    | 74.1    | 74.3    | 55.4    | 30.9    |
| ★ Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis) . . . . . | \$8,584 | \$8,656 | \$9,130 | \$7,853 | \$6,374 |
| ★ Bituminous Coal (daily average, 1,000 tons) . . . . .                               | * 1,756 | 11,703  | 1,610   | 1,427   | 1,316   |
| ★ Electric Power (million kw.-hr.) . . . . .  | 2,196   | 2,170   | 2,167   | 1,953   | 1,692   |

### TRADE

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Total Carloadings (daily average, 1,000 cars) . . . . .                      | 131     | 132     | 138     | 105     | 102     |
| ★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) . . . . . | 82      | 83      | 85      | 69      | 67      |
| ★ Check payments (outside N. Y. City, millions) . . . . .                    | \$5,391 | \$3,731 | \$4,807 | \$4,266 | \$3,484 |
| ★ Money in Circulation (Wednesday series, millions) . . . . .                | \$6,375 | \$6,303 | \$6,311 | \$5,730 | \$5,548 |

### PRICES (Average for the Week)

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Wheat (No. 2, hard winter, Kansas City, bu.) . . . . .         | \$1.23  | \$1.21  | \$1.22  | \$1.14  | \$1.81  |
| Cotton (middling, New York, lb.) . . . . .                     | 12.17¢  | 12.20¢  | 12.12¢  | 12.29¢  | 9.57¢   |
| Iron and Steel (Steel composite, ton) . . . . .                | \$34.59 | \$34.60 | \$34.66 | \$33.17 | \$30.90 |
| Copper (electrolytic, Connecticut Valley basis, lb.) . . . . . | 10.500¢ | 10.500¢ | 9.792¢  | 9.250¢  | 7.665¢  |
| All Commodities (Fisher's Index, 1926 = 100) . . . . .         | 86.1    | 85.3    | 84.0    | 84.3    | 72.9    |

### FINANCE

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Total Federal Reserve Credit Outstanding (Wednesday series, millions) . . . . . | \$2,464  | \$2,470  | \$2,463  | \$2,471  | \$2,345  |
| Total Loans and Investments, Fed. Res. rep'tg member banks (millions) . . . . . | \$22,442 | \$22,488 | \$22,571 | \$20,490 | \$19,394 |
| ★ Commercial Loans, Federal Reserve reporting member banks (millions) . . . . . | \$5,509  | \$5,585  | \$5,559  | \$4,946  | \$5,794  |
| Security Loans, Federal Reserve reporting member banks (millions) . . . . .     | \$3,153  | \$3,179  | \$3,192  | \$3,056  | \$4,012  |
| Brokers' Loans, Federal Reserve reporting member banks (millions) . . . . .     | \$1,124  | \$1,154  | \$1,178  | \$794    | \$629    |
| Stock Prices (average 100 stocks, Herald-Tribune) . . . . .                     | \$125.62 | \$126.41 | \$124.73 | \$111.79 | \$98.40  |
| Bond Prices (Dow, Jones, average 40 bonds) . . . . .                            | \$105.43 | \$105.53 | \$105.02 | \$97.20  | \$86.53  |
| Interest Rates—Call Loans (daily avgs, renewal) N. Y. Stock Exchange . . . . .  | 1%       | 1%       | 1%       | 1%       | 1.2%     |
| Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City . . . . .         | % %      | % %      | % %      | % %      | 1.7%     |
| Business Failures (Dun and Bradstreet, number) . . . . .                        | 143      | 166      | 160      | 196      | 350      |

★ Factor in Business Week Index \*Preliminary †Revised.

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4 more  
package ideas

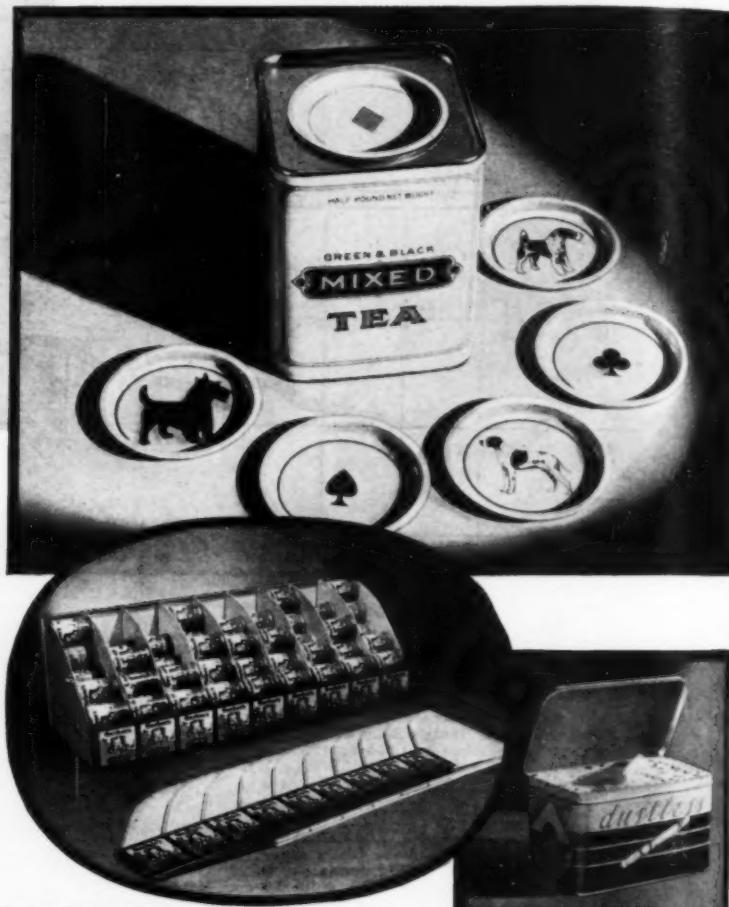
*Click*

4 more  
products get

*Results*



**THE KING IS DEAD—LONG LIVE THE KING!** Dill's Best package, all seem to agree, is this new one, just produced by Canco. Even consumers agree (by their purchases) that the still-good-looking older package is overshadowed by the wider appeal of the newer, more modern vintage. Change in times brings changes in fashions. Does your container need remodeling here and there? Canco can make it click.



**EASY PICKINGS** when you make your product easy to pick up, examine, buy. Canco is past master at making metal displays that reach out and say—"Look—you need this product. Buy it!" This display (merchandising a whole line of canned strained vegetables) is inexpensive to supply . . . and, because it is collapsible, economical to ship. Let Canco's Merchandising Specialties Division originate the right display for you.

**CHALK? INDEED CHALK IN TINS**—good old schoolroom blackboard chalk—now marketed in smart new metal containers. Less breakage, fewer profit-eating turn-backs, better package appearance, more sales. Proving that even the three R's are tin-wise.

**AMERICAN CAN COMPANY**

230 Park Avenue  New York City

World's Largest Manufacturer of Metal and Fibre Containers

# The Business Outlook

WITH the passing of Thanksgiving, the Christmas shopping season is officially opened with a setting more favorable than for any year back to 1928. Business is definitely on the mend. Optimism is widespread. Prices are rising. Dividend disbursements this month have broken all records. Employment is expanding and labor income has been boosted by a long list of wage and salary increases. Security markets at home and abroad have been a bit jittery, influenced by the unfavorable news growing out of the Spanish situation and the expressions of concern in Administration circles over ways and means of controlling speculative expansion.

## Rise in the Index

Business Week's index took an upward spurt last week when check transactions soared above the preceding week to the highest level for any week back to early January, 1931. No doubt the distribution of dividends this month which has been stimulated by the punitive tax on undistributed earnings accounts for some of the bulge. And the counter-seasonal increase in movement of manufactured goods over the rails can be traced in part to the tying up of shipping facilities on the West Coast.

## Up Go Steel Prices

Steel consumers were notified of the long-anticipated increases in prices of steel products this week when Carnegie-Illinois, leading subsidiary of U. S. Steel, led off with a list of advances ranging from \$1 to \$4 a ton on semi-finished and finished steel products, intended to compensate in part for the recently-granted wage and salary increases and for increased costs due to social security levies and higher raw materials. Motor companies will be hard hit by the advances, being heavy consumers of products affected. Rail prices increased from \$36.375 to \$39 per ton. Tin plate, affected by competitive circumstances, and merchant pipe were not advanced.

## Beating the Price Deadline

These price increases, effective Dec. 1 for products shipped in the first quarter, are expected to stimulate heavy ordering of steel prior to the deadline and will probably force steel operations above the current level of 74% of capacity soon.

## 110,000 Cars a Week

Motor companies have stepped up assemblies to the 110,000 per week mark, insuring a full month's turnout of more than the 408,555 units of

## SIGNIFICANT

*Next week's thirtieth annual convention of life insurance presidents is perhaps the most significant one since 1932. Insurance has become the order of the day. Only this week the Supreme Court slipped the New York state job insurance law under the Constitutional wire. Social security machinery is now getting under way. The bearing of these new influences on the insurance business will be important.*

1935, and paving the way for a 500,000 month in December, provided labor doesn't throw a monkey-wrench in the schedule by strikes like the Bendix "sit-down" affair in South Bend and the Fisher Body strike at Atlanta. Such a schedule would bring the last quarter's output to 1,150,000 against 1,107,183 in the same months of 1935.

## Outlook for Autos

Car sales have been on the wane since the April peak, probably hit bottom for the year in October, and started up again in November following the introduction of the 1937 models. January and February may see sales slightly off again as occurred last year, but Detroit is not worrying about that. The success of Ford's smaller-engined car will be watched, and if it insures a Ford comeback, it will send Chrysler and General Motors scurrying into machine-tool markets for the makings of a similar job during '37.

## Lumber Best Since '30

Lumber production has held fairly stable over a period of months, well above last year. Estimates of the Lumber Survey Committee place consumption in the last half of 1936 slightly ahead of the first half, with the year as a whole at the best level since 1930. Important in this revival of demand has been the sharp increase in residential building and the recovery of furniture manufacturing, which has restored buying of hard-

woods to the best volume since 1929. Lumber shipments in recent weeks have been hindered by the maritime strike, but otherwise the outlook continues favorable.

## Construction Kept Going

November usually marks the beginning of the winter contraction in construction, but the returns for the first half of the month from 37 states are holding up unexpectedly well. Residential building is the leading division, running 11% ahead of the October daily rate and 106% ahead of a year ago. Other building operations follow close behind, with public works and utility projects ranking third in volume.

## Need More Crude Oil

To meet the increased demand for fuel oil, the United States Bureau of Mines has recommended that crude oil production be stepped up again in December. Stocks of crude oil have been reduced to the lowest level for any year back to 1922. The heavy demand for fuel oil from the growing number of domestic and industrial consumers, plus the increasing requirements from the 27,000,000 car owners, is expected to require crude-oil production in the first quarter of 1937 in excess of this year.

## Carpet Prices Up

Carpet manufacturers have joined the ranks of price boosters in the textile field, following advances in carpet wools. Stocks of wool are dwindling and demand has been increasing both from domestic consumers and from foreign sources. War preparations of European countries have been felt in carpet wool markets, since these wools can be used for uniforms, coarse blankets, and the like.

## Paper Mills Prosper

Paper mills are operating at the 1929 level this year, having stepped up operations steadily from the beginning of the year. Prices, too, have risen recently. Coated book papers are up \$7 a ton; uncoated, \$5.

## More Jobs in Factories

Adjustment of the Department of Labor's monthly indexes of factory employment to the more comprehensive records of the biennial census of manufactures of 1933 lifted the depression level of those indexes for that year as much as three points, from 69% of the 1923-1925 average to 72%. The revision resulted in a general boosting of all the department's subsequent employment indexes so that the latest figure of October, 96.5%, represents the best level since March, 1930.



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# M I M E O G R A P H



# BUSINESS WEEK

NOVEMBER 28, 1936

## What Follows Higher Dividends?

**Stockholders, happy now, will have to pay taxes on their share of income. Corporations, needing capital, may sell bonds and dilute their stock.**

DIVIDENDS are being resumed and increased; extras and specials are being declared in unprecedented abundance. Dates of payment are being pushed forward so that checks will get into stockholders' hands before the close of the year. Each day brings forth a benevolent flood of money that is going out of corporation checking accounts and into the bank balances of shareholders. Immediately, this will mean better Christmas business. But that's been said so often and also so long ago (*W-Aug 15 '36, p 45*), it has lost its luster. As more money goes into the hands of stockholders, naturally the desire and willingness to spend become more assertive.

### Saving Some for Uncle

But the stockholder must pay for this corporate generosity, directly and indirectly. Formerly, the normal tax did not apply to dividends. Now, all dividend receipts are subject to the normal tax levy. Hence, shareholders will have to reserve some part of their dividends for Uncle Sam.

In fact, stockholders who receive stock dividends are likely to feel that their directors conferred on them an ironic blessing. Though they receive a so-called bonus, in stock, when it comes to paying the Internal Revenue Collec-

tor the stockholders will have to shell out hard cash. In some cases, to realize funds for taxes, securities may be dumped on the market.

Besides reserving part of dividends for taxes, stockholders are likely to use their receipts for reinvestment. Distributions are never wholly regarded by the average investor as a return on capital to be freely spent. A large portion is used to buy more securities. Indeed, there is a very close relationship between the volume of dividends dis-

bursed by corporations and new capital issues (see chart, p. 14).

Recent security flotations have sold like hotcakes, undoubtedly influenced in part by the enlarged reservoir of dividends waiting for investment. Consequently, one effect of the vast outpouring of cash to stockholders will be to make new financing easy. This, in turn, will tend to keep money rates down.

As far as corporations themselves are concerned, the new law reverses policies which have become traditional in American industry. First, earnings will be plowed out of companies instead of being plowed back. Second, the ratio of dividend payments to earnings will undergo a definite and significant change.

### No More "Savings Banks"

Hitherto, the stockholder in General Motors, or U. S. Steel, or National Dairy Products Corp. could assume that the company itself was saving money for him. Each year a certain amount—usually between 30% and 40%—was retained by the company for anticipated growth and expansion. The corporation no longer can be counted on to act as a "savings bank" for stockholders—at least—so long as the undistributed earnings surtax remains on the statute books.

Instead, companies will pay out as much as 80% and 90% of earnings. Some, even, may pay everything out and eliminate the surtax altogether. This imposes on the stockholder the task of doing his own saving—or reinvesting the money. And to the security analyst this newly adopted dividend procedure



**MORE PURPOSE, LESS POMP**—President Roosevelt has requested that ceremonies incident to his visit to South America be held to bare necessities. The purpose of the trip is the

main point—peaceful, continuous union of trade and commerce between the Americas. Conferences between the diplomatic chieftains will be held in the capitol at Buenos Aires, above.

*Pan American Airways*

(which has become sufficiently widespread to be regarded as a policy) necessitates a reconstruction of values.

Whereas, in the past, stocks sold on an earnings basis, modified to some extent by dividend policy of the individual corporation, henceforth earnings rather than dividends paid will be the sole guide. Since companies cannot afford to hold on to cash in order to maintain a stable dividend during slow years (the tax makes it too expensive), the tendency will be to pay out as much as possible. Therefore dividends will fluctuate more directly with earnings. Even American Telephone & Telegraph, which has striven for dividend stability rather than going in for spectacular flourishes, may be forced to deviate from year to year in order to save in taxes.

### Splurge Before Christmas

And though American corporations will adhere to the customary quarterly dividend distribution, the "regular" may fall into discard. Rather, the tendency will be to vote consistent but small distributions in the first three-quarters of the year, and to open up in the final three months just before Christmas with a large special or extra to take care of earnings well in excess of the declared dividends.

The wrench from traditional policies will not be easy. Companies which depended upon a net addition each year to working capital, out of profits, will find it necessary to seek other means for financing expansion. And that means recourse to the money markets. Small stock or bond flotations, to provide cash, will become more and more common. Companies are not likely to resort to bank borrowing with the intention of paying off loans out of future earnings.

In effect, after paying out money to stockholders, business will turn around and do new financing, either through issuance of rights or through sale of additional common stock; or it may raise money by selling bonds. The cash or optional stock dividend amounts to about the same thing; and so does the preferred stock dividend.

### Danger of Too Much Stock

Over the long term, these evasive procedures will result in an enlargement of capital structures of corporations (*BW—Nov 7 '36 p 48*) and during a depression, equities of companies which do not proceed with caution are likely to become unduly thinned out. There will just be too much stock, which will have been watered because corporations were impelled to pay dividends and issue stock, when they should have been conserving some cash even at the expense of paying high surtaxes.

During a period of recovery or prosperity, when the investment market is

active and investors are eager for shares, this financing to raise money to provide for expansion will be comparatively simple. The pinch will come when capital becomes chary and when business, instead of expanding, is contracting. Then corporations with reserves will be able to resist the downward pull of poor business; but others, less well-heeled, will be embarrassed. There will be no easy money market to come to the rescue.

As for workers, the situation is double-barreled. Right now, corporations are paying wage and salary bonuses and are raising pay. But when and if the business cycle goes into its downturn, the immediate impulse will be to reduce labor expenses. Reserves will not be on hand to maintain an even level of employment.

Thus, like the stockholder, the worker must be sure to stow away part of his earnings. The corporation, through reserves, will not be able to provide for the worker's rainy day, as it has to some extent in the past, through maintenance of large reserves, part of which were used to keep up employment (or pay dividends) during slack times.

### Depression Burden Shifted

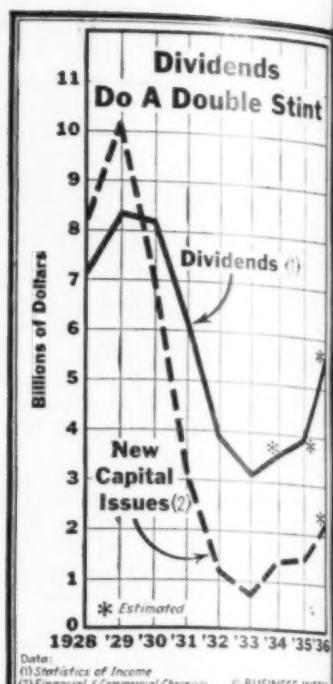
What is happening (also what is likely to happen) represents the fulfillment of the Administration's dream. Reserves are to go out, in an attempt to swell the fund of national purchasing power. The corporation is losing its function as the hoarder and conserver of the nation's reserves. And when depression comes, the problem of caring for workers will be shunted even more emphatically to the government. That is the long-term meaning of the undistributed earnings tax and the current run of corporate generosity. Over the short-term, the emphatic implication is more purchasing power, better business.

## O.K. Job Insurance

**Supreme Court's 4-4 decision on New York unemployment collections means state security laws are valid.**

**WASHINGTON (Business Week Bureau)**—All state unemployment insurance laws now in effect, and all similar state laws, will apparently be approved by the Supreme Court. That is the conclusion drawn from the court's decision this week sustaining the New York law, which had been regarded as more vulnerable to constitutional attack than the law of any other state.

But the decision does not mean that the unemployment insurance provisions of the federal Social Security act will necessarily get by the Supreme Court. In passing on the federal act, the court



**TWO BIRDS**—Not only do increases and extra dividends make stockholders happy, but they also make it a lot easier for corporations to do new financing. A large portion of dividends are reinvested. This is clearly indicated by the close correlation between the volume of dividends paid out and the volume of new capital flotations. In effect, then, dividends tend to return to some degree to the market. This is likely to be a particularly beneficial influence next year when companies will be forced to raise additional working capital because they have been impelled by the undistributed profits tax to pay out in dividends a larger than usual share of earnings.

will have to decide whether the taxing provisions violate state rights. Employers paying the federal tax are allowed to deduct the payments they make under state laws, up to an amount not exceeding 90% of the tax. This provision is considered a means of coercing the states.

The court split evenly in its decision. Justice Stone, who has been sick, took no part. An even split means that the court simply does nothing at all, and therefore the decision of the lower court stands. In three cases employers had appealed from the Court of Appeals of New York, the highest court in the state, which had sustained the law.

There was no announcement of how the Justices lined up, but it was assumed Chief Justice Hughes, the borderline member of the court, and Justice Roberts, more often conservative than not, joined Justices Brandeis and Cardozo in finding the act constitutional. Justice Stone is expected to participate in any future Social Security decision if his non-participation would mean invalidation of the act.

# The Steel Line Advances

Prices go up with the recovery and its boost in wages and material costs. Mills are going up to meet the increased demand.

THE long-awaited steel price increase has finally come—applicable to first-quarter business. New schedules are up 2 a ton for semi-finished, \$3 for bars, 4 for sheets and strip, \$2.625 for rails. The rail boost is the first since 1933.

Offhand the \$4 advance for flat-rolled products may seem stiff but more than half of it will be needed to meet recent wage boosts and the new social security taxes. Mounting costs for raw materials will absorb the rest. Steel leaders assert that if mills show better earnings next year they can be traced to higher operations rather than higher prices.

In view of the average production rate of 65% this year, earnings haven't been hefty. Steel men observe that, while the operating rate has been above 1930, earnings have been far below. Actually, due to obsolescence of mill equipment, '36 operations have been much higher than 65%.

## Differential Plan Aided

The new prices should bolster that quantity differential plan on flat-rolled steel which has been under attack by a few large buyers around Detroit. Started early this year, it stipulated that, regardless of his annual orders, a customer must specify for shipment at one time (meaning a week's period) 150 tons of one gage and size in order to secure a differential of \$3 a ton. Otherwise, he would have to pay full market price. Previously, big users had gotten concessions of \$3 to \$5 on all tonnages, regardless of size.

Recently the plan has been modified to grant a buyer a lower price if he buys for shipment at one time (extended over two weeks) 150 tons, of which only 25 tons has to be of one size. Certain automotive companies have been pushing for further modifications, probably would like to see the differential system wiped out. But, with a seller's market and prices upped to meet sharp advances in steel-making costs, the plan should gain strength.

Bowing to the inevitability of price increases, important steel users have been trying to get all they can at present quotations. Ford alone has bought 85,000 tons of finished steel and 45,000 tons of semi-finished (its finishing mill capacity being considerably in excess of its raw steel-making capacity at Rouge). Some steel users have tried to buy finished steel from Ford but find him adamant unless it is specifically to be fabricated into parts for Ford cars.

To accommodate as many customers as possible, steel companies with a huge backlog of orders will probably ship tonnages through January at fourth-quarter prices.

A year and a half ago steel people were wondering where all the tonnage from those new continuous sheet mills was going. The upswing and the broadening of miscellaneous used for flat-rolled steel is supplying the answer and a further expansion if demand is in sight. To meet it, new continuous mills are being rushed to completion—by Jones & Laughlin at Pittsburgh, Car-

negie-Illinois at Gary, Granite City Steel in the St. Louis district.

Three more are coming: Bethlehem at Sparrow's Point, Md., U. S. Steel in the Birmingham district, Republic at Cleveland. Bethlehem is thinking about the decentralization of automotive operations and those new eastern assembly plants, which call for more parts fabrication by eastern stamping plants that want to get their sheet steel nearby; also about the increasing can business in the Baltimore area, for which tin plate capacity at Sparrows Point will be boosted. Republic, planning its first continuous mill, has an eye on the automotive market. It has picked Cleveland, rather than Monroe, Mich., where its Newton Division has a sheet mill, so as to be adjacent to raw and semi-finished steel plants and get lower production costs. At Monroe, creation of raw and semi-finished capacity would be in order, greatly increasing capital outlay. Cleveland is close to the Michigan motor factories by boat and truck.

## Wider Sheets Gaining Fast

Republic intends to anticipate future demand for extra wide sheets in building its new mill. Great Lakes and the Jones & Laughlin mill, now nearing completion, are the only mills capable of supplying sheets as wide as 90 in. And the trend in automotive manufacture has been steadily toward the use of wider sheets.

## Short of Anti-Freeze

A LOT of steaming tea kettles are going to be rolling the roads on cold mornings this winter—if you believe in signs. There is a shortage of glycerine anti-freeze.

For three or four years glycerine production has been falling short in Europe. And then government orders have been larger than normal here and in other countries—apparently an accumulation for munitions.

Because of all this the anti-freeze business has been steadily flowing to non-glycerine or part-glycerine products—methanol, alcohol and ethylene glycol, under the trade name Prestone.

National Carbon planned for a 50% increase in its Prestone business this year over last and went out with an elaborate campaign to school its distributors and speed up dealer sales. It worked so well that production is sold up and distributors are rapidly being cleaned out of stock. Dealers are clamoring. And there is not enough glycerine available to provide all the Prestone they want.

At present alcohol runs about 45% of the anti-freeze volume, U. S. Industrial alcohol, Publiker, and Commercial Solvents Co. being the principal suppliers. National Carbon's Prestone has about 30% of the business. Methanol fills 25% of the demand, with du Pont the main producer.



*Cushing*  
THERE'S MORE THAN ONE WAY—to turn cylindrical machinery, according to managers of the big Huber ink-making plant in Borger, Tex. Rubber tires, in place of gears and cog-wheels, are doing a perfect job—and doing it very quietly.

# A.F. of L. Hopes for Best

**Split between C.I.O. and parent body as wide as ever, with little hope for change in dual organizing.**

DESPITE all the viewings with alarm with which the American Federation of Labor's annual convention was opened last week, the big show this week confirmed what well-informed observers had guessed. That guess was that the convention would produce millions of words but little action, and that labor would go ahead as two separate armies headed toward more or less the same objective but by different paths.

With John L. Lewis and his merry men of the Committee for Industrial Organization suspended and not on the scene, the craft unionists under William Green have managed to maintain the *status quo*, without taking the C.I.O. back into the fold and without expelling them outright. Keeping the dissident unions on the rolls, however, is a very empty triumph for the A.F. of L.—a million union members can withhold a lot of dues.

Tampa observers were inclined to believe this week that the C.I.O. has gained, rather than lost, by federation policy at the convention, and that the federation put itself in the position of the proud parent who, crushed by the actions of an unruly child, forebears to punish it and beamingly hopes for a miracle of penitence. The C.I.O. boys are likely to seize the hand extended in friendship and tear the arm off.

## Pacific Coast Strike Menaces All Business

SAN FRANCISCO (*Business Week Bureau*)—Business and industry on the Pacific Coast early this week felt the pinch of the maritime strike in no uncertain terms. As plants shut down for want of raw materials or lack of

orders, employees were thrown out of work, retail buying decreased to a marked degree and uncertainty of the future produced a definite slowing down in nearly all lines. Many retail establishments adopted a policy of selling what was on the shelves and reducing orders to a minimum. Manufacturers' agents found activity practically at a standstill.

Department stores in the four key cities, ready to take on extra help for what was to have been the best Christmas buying season in six years, cancelled their plans and prepared instead to lay off employees. Strike conditions even reached into the field of the personal service companies. Laundries and cleaning firms began to feel the effects of the tie-up.

As the steady freezing continued to involve other forms of business not directly parties to the dispute but dependent on water-borne supplies or equipment, demands for a quick settlement gained in volume. In San Francisco, the hastily-formed Shipping Merchants' Association, a group of 26 business firms, attempted to arouse public opinion last week to demand an end to the warfare. Full-page advertisements in local newspapers resulted in emphasizing to the general public the seriousness of the situation. In Los Angeles, a similar group of 100 firms explained in newspapers and by radio, the strike's effect.

Meanwhile, Vancouver, B. C., docks and warehouses were jammed with merchandise unloaded there for Coast delivery. So congested had that port become that ships were unable to discharge cargo and, therefore, to take on freight for export. This dimmed the

hopes of apple and pear growers in Washington and Oregon who, attempting to serve their important foreign markets via Vancouver, had been shipping 40 carloads daily by rail.

The effect on the packers of fruits and vegetables may reach well into next season. Surpluses may react seriously on packers and farmers next year. About half of the \$17,000,000 worth of canned goods produced this season in Oregon and Washington, sold, could not be shipped during the strike. Foreign markets would take 25% of it; the balance would go by water for domestic use. Meanwhile, warehousing and insurance costs mounted daily.

Coast sugar plants shut down completely because they lacked supplies of raw material. At the same time \$3,566,000 worth of raw sugar has been awaiting shipment in Honolulu, the last of the Hawaiian 1936 quota which, to be effective, must be delivered on the mainland before Jan. 1.

## Salary Cuts Begin

First of the expected salary cuts in West Coast business offices began last week when steamship companies reduced pay of personnel by, in some instances 50%. Lumber firms fell in line with similar reductions. A few lumber companies preferred to lay off employees two days a week while others went on a half-time basis for the duration of the strike. Department stores in Los Angeles and San Francisco instituted forced vacations without pay beginning with one day a week. Retail trade, restaurants, theaters immediately began to feel the effect from these, and other, reduced incomes.

Whether the two sides to the maritime dispute could hold out in the face of a swelling volume of protests from "innocent bystanders" remained to be seen, but as the strike approached its second month, these protests promised to become a new and increasingly important factor in the situation.



THE SEA REACHES INLAND—Striking maritime workers gradually extended their tieup of shipping, with progress of the

ship-and-dock walkout on the West Coast. These longshoremen are stopping trucks to check union credentials of the drivers

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NOVEMB

## Trailer Tracks

Enthusiastic members of the  
booming new industry join  
forces to tackle problems.

PIONEERS and a whole flock of newcomers in the business of building trailer coaches gathered last week at the Hotel LaSalle in Chicago to officiate at the formal launching of the Trailer Coach Manufacturers Association.

It was no convention such as an older industry might stage, but rather a council meeting of hopeful gold rushers, who had come to debate whether an association could help them and if so, how.

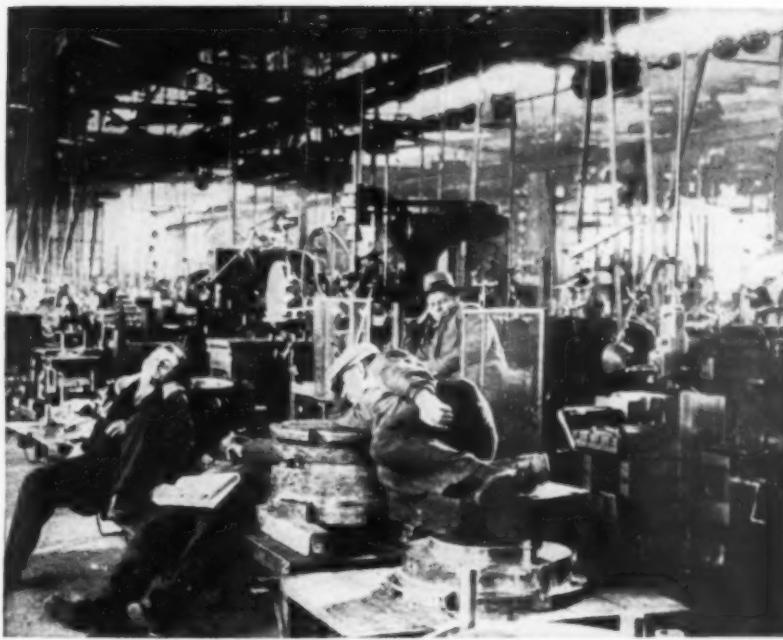
Leaders who were responsible for incorporating the association last August during the Sandusky trailer camp meeting had done valiant work in stimulating interest in last week's powwow so that nearly 100 trailer builders attended one or more of the sessions.

Efforts to get financial backing for the association were reported as having been signally successful. A sufficient number of manufacturers had signed up and were coming through with membership dues to guarantee maintenance of activities at least until next summer's camp meeting.

### **Three Pressing Problems**

Prominent among problems that bulked large on the convention agenda were the questions of what to do (1) about sanitation in trailer camps, (2) about gas stations whose driveways to the gasoline pump do not have sufficient width and radius to provide easy access with a trailer outfit, and (3) the threatening trend of municipal legislation. Such difficulties constitute a serious threat to the continued boom in the trailer business.

A trailer guide, published recently by the National Used Car Market Report, Inc., gives actual specification of trailer models offered by over 100 different manufacturers. It lists addresses of some



**THIS IS HOW IT WORKS**—The "sit down" strike, a European development in labor pressure which got its American tryout during the Goodyear rubber shutdown last winter, appears again—this time at Bendix Products Corp. Eating and sleeping near their machines, guarding them against any operation, the employees succeeded in tying up the plant. Their demands were for a "closed shop" of union workers.

700 other concerns reputed to make automobile house trailers. California leads all other states, claiming 143 trailer makers, while Michigan runs second with 101, Ohio third with 66, and Illinois fourth with 44.

Carl W. Schelm, president of Schelm Bros., Inc., heads the Association of trailer coaches makers, animated by a spirit of enthusiastic enterprise not unlike that which pervaded the ranks of radio manufacturers 15 years ago and is gratified at the financial support which is forthcoming. He is convinced that trailers will be used extensively as sales coaches by manufacturers, wholesalers, and retailers and has developed a special line of models for that purpose.

means a daily average of 7,000 units.

The same story of unprecedented operations for this time of year come from almost all motor companies. Automobile executives are confident that retail buying will be stimulated by the wave of wage increases, workers' bonuses, and extra dividends which has swept the country. Whenever money has been disbursed in large volume lately, such as for the veterans' bonus, the motor industry has always secured its share.

## Employment Totals Rise

Detroit's employment index has soared to 112.6, the highest point reached since 1929 except in April, 1934, when it momentarily stood at 112.7. The top in employment for this year has not yet been attained, what with automotive plants daily adding more workers to payrolls. Motor production this month should be considerably above the 408,550 units built in November, 1935, and next month assemblies should climb to about 500,000 units, according to present estimates.

Even the more conservative top executives are predicting that 1937 sales and production will be a minimum of five million units. After the first buying spurt is over, retail demand is bound to slip somewhat during January and February, as it did a year ago, but the industry doesn't appear worried. It is confidently anticipated that leading companies will come forward with plans for helping dealers over the used-car hump which they inevitably will

## **Big Orders Amaze Auto Industry**

Attendance at shows is far greater than the manufacturers expected, and sales exceed last year's. Production is speeded up to '29 tempo.

DETROIT (*Business Week Bureau*)—Car makers had expected their 1937 shows to draw big crowds, but they were hardly prepared for the record-smashing attendance reported from all parts of the country, including both the New York and Chicago shows. Flooded with orders far greater in volume than a year ago, they have turned the heat on their production departments to get out just as many cars as is humanly possible in the next 30 days.

Projected schedules sound like '29 figures. Chevrolet is reliably reported to be planning on building 120,000 cars and trucks during December and 130,000 in January. Chrysler tentatively has put its December goal at 120,000 units, the largest single month's volume on record. Ford, getting a late start, is up around 6,000 units a day and is hitting for 35,000 cars a week. If it holds to its traditional policy of working only five days a week, that

face in dead winter, when used-car buying freezes up temporarily.

Ford has high hopes of recapturing first place from Chevrolet the coming year. It is understood that Ford must build about 5,000 cars a day to break even. It is, of course, in a position to make a bigger margin of profit on its cars powered with the regular V-eight motor than on the economy cars. If demand should shift toward the economy job, added production would lower manufacturing costs per unit. As matters stand, it is doubtful whether today there is more than \$10 to \$15 difference in the expense of making the regular car as against the economy car.

The one incalculable factor which might upset all automotive plans is the possibility of strikes. The current strike in a parts plant may be only a forerunner of what is to follow. General Motors has had to close its Atlanta assembly plants the past week because of a labor dispute. Only protection open to the industry is to diversify its sources of parts and materials as much as possible and to build up stocks in advance of assembly requirements. All companies are taking this precaution.

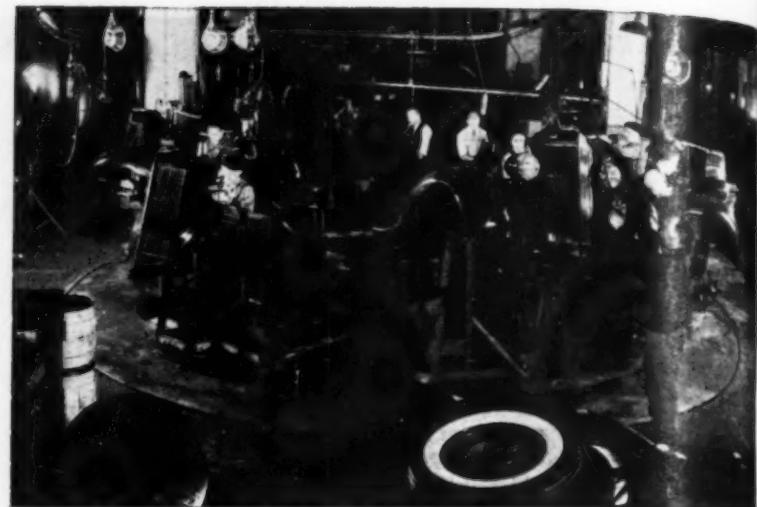
## Ford to Make Tires

**Plant will be built at Rouge in 10 months; reason is labor situation at Akron.**

**DETROIT (Business Week Bureau)**—Ford Motor Co. is reported on unimpeachable authority to be proceeding with construction of a factory at its Rouge plant for the manufacture of tires. Equipment for this factory will constitute Ford's main machinery purchases during 1937, although a large amount of general productive machinery also will be bought. It will take about 10 months to complete the factory.

Sole reason for Ford's venture into tire making is the disturbed labor situation at Akron. Ford people admit that the new factory probably won't be able to build tires any cheaper than the tire industry; in fact, the labor cost at Dearborn may make the production cost a little higher. Throughout the unionization drive of the last few years, Ford has been entirely free from trouble at Dearborn, and labor leaders privately have admitted discouragement at inability of their efforts to make headway among Ford employees.

Ford is about to add another link to its chain of small plants in southern Michigan located in or near small towns or villages and utilizing waterpower from nearby streams. The new plant will be at Milford, home of the General Motors proving grounds, and probably



**AND A LOT OF SPACE SAVED**—Straight-line assembly setups take a lot of space, and some of the work can be done in another way. Packard rearranged its plant, put in this turntable system for radiator and front-end assemblies, and geared it to the speed of the main assembly line. Result: more work done, less room needed.

will be devoted to manufacture of valve seat inserts. Whether production of parts in these small factories is as economical as concentration of manufacture in one large plant is debatable. Ford, however, is mainly interested in the social angle of the venture. Employees of the small plants can live close by, in villages or on farms, and be economically more secure and happier.

Packard has invested two million dollars in expanding its production facilities for its new six and 120 models. Around \$750,000 went for new machine tools. Never has Packard been so active. It is turning out about 9,000 cars a month, is employing over 11,000 men, and has a huge bank of orders.

Equipment purchases by the automotive industry will be fully as large during 1937 as in 1936 and perhaps larger. Most of the outlay will be for cost-saving purposes, although some will go for increased capacity.

## Sugar Institute Dies

**Cane refiners decide to close it up because of decision by Supreme Court last March.**

THE Sugar Institute, Inc., would have rounded out its tenth year next month but last week it gasped its last. The organization hasn't had much to do since last March when the Supreme Court ruled its operations in restraint of trade on 44 of 45 counts.

Since that time the institute has been just a shadow of its former self, employing but a few persons who compiled the statistics of the sugar industry. So the representatives of the cane refiners got together for a meeting and William H. Hoodles, Phila-

delphian and chairman of the board, announced that the offices were being closed.

In March, 1930, the government brought suit for dissolution. The court didn't speak their last word until the year and even then the nine men of the Supreme bench didn't write a positive *finis* on the story. They held the institute's open price announcements, due to the character of the industry, were not in themselves illegal. The high court held, however, that the methods used "to secure adherence without deviation, to prices and terms announced" were out of bounds.

## Three Billion Salads

REPORTS from the lettuce industry are not entirely of strikes, riots, and gas bombs. Despite publicity surrounding the labor war at Salinas, Calif., center of that state's lettuce area, growers in California and Arizona who produce about 93% of the nation's supply, see a good season drawing to a close.

In Arizona, growers this week (Nov. 25) got under way on the brief period of picking, packing and shipping of the "green gold." Returns will be better than last year's when 3,400 carloads were shipped to 200 cities in 44 states. This year Arizona has 540 additional acres in lettuce. The San Fernando valley in southern California is harvesting about 1,800 acres. The Salinas-Watsonville area, largest lettuce producer in the United States, was hard hit by the strike, but some belated packing is in progress. In 1915, Arizona and California shipped five carloads of lettuce. This year's output is expected to fill 43,000 cars—enough, say the statisticians of the industry, to make 3,125,000,000 salads.

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NOVEM

# Drug Bill Friends Shift Tactics

Instead of a totally new measure, they now weigh desirability of amending old law, thus adopting same stand that their opponents took in '33.

WASHINGTON (Business Week Bureau)

—After a fruitless four year offensive for a new food and drug law, advocates of that cause are contemplating a signal shift in tactics, a flank attack via the amendatory route.

Thus is the circle made complete. For in the spring of 1933 when the original Tugwell bill (S. 1944) burst upon a startled trade the first line of industry defense was the argument that the entire fabric of the existing act of 1906, together with all the legal precedents built around it, should not be swept into the discard by new legislation. "Let's amend the present law," was the first suave compromise suggestion.

## Industry Drops Argument

Then, and later through all succeeding revisions of the bill (S. 2800 and S. 5) this proposal met with adamant opposition, until industry, reconciled to the necessity of a completely new law and increasingly satisfied with the many modifications in the proposed legislation, ceased to advance it.

Now, however, the same suggestion issues from the other camp. No plans have actually been formulated, no bills drafted, but Sen. Royal S. Copeland, who has been the consistent sponsor for the measure in the Senate, has indicated that he considers the amendatory technique to have considerable merit. It is further known that this approach is not

unacceptable to the Food & Drug Administration, and, significantly enough, the first material issued by the militant women's groups to rally their members once again to the fight, is arranged to dovetail nicely with the new tactics.

Why this sudden change of front by government and consumer interests?

The answer to that goes back to April, 1935, when Senators Bailey, Clark, and Vandenberg joined forces to push through two amendments to S. 5 which (1) would have forbidden multiple seizures (the seizing of goods simultaneously in various parts of the country) in all cases where the sole charge was false advertising and (2) would have permitted a manufacturer to have all other multiple seizure cases, involving charges of adulteration, consolidated for a single trial in his own home district. One year later these amendments were tempered in the House, but F&DA was far from satisfied with the result.

Proponents of a food and drug bill realize that any new measure would face a tough fight on the multiple seizures question again. They also realize the existing act of 1906 gives the Administration an unrestricted right to seize adulterated goods. Hence, they argue, that an approach to the problem via the amendatory route would place behind the demand for power to seize falsely advertised goods a certain weight of

precedent and established usage. It would not bring the issue into quite such sharp focus. The argument would run in this fashion: The Administration can seize adulterated goods which endanger public health; it should similarly be empowered to put an immediate stop to the advertising of fake cancer cures and other ineffective nostrums that endanger health by obstructing efficient treatment. And the inference would be that there was nothing out of line about that demand.

## To Fight FTC Control

But there is another much more persuasive reason why the supporters of the legislation are thinking along the lines of an amendment, rather than a totally new bill. They believe it would retard the drive for regulation of advertising by the Federal Trade Commission.

They reason in this way: In presenting the measure to Congress as an amendment, the existing powers of the Administration would be clearly enumerated; this approach would not appear to be a request for such a wholesale grant of power as a new bill might seem to involve; it would discourage tinkering; it would demonstrate more convincingly why and how through 30 years of routine operation the Administration has become especially equipped to regulate advertising in the food and drug fields.

Unquestionably, the fight over regulation of advertising is the most critical issue involved. This is the shoal on which the measure was wrecked in the House on the last day of Congress—wrecked even after sponsors of the legislation had yielded to the extent of approving a compromise provision under which F&DA would have controlled all health claims and the FTC all economic frauds and misrepresentations.

## Advertising the Vital Part

This year, the pure food and drug crusaders aren't willing to compromise even that much. To them, regulation of advertising is the whole guts of the bill, for that's the force that really sells the goods. Adequate regulation demands swift and effective action, such as seizures. FTC's dilatory cease-and-desist procedure, they conclude, has shown itself wholly unequal to the job.

They are fairly confident they will carry their point now for these reasons:

(1) All industry groups affected by the law, excluding the Institute of Medicine Manufacturers but including the Proprietary Association, have rendered lip service at least to the idea of giving F&DA advertising control. They prefer it to a split in administration of the act, as has been clearly evidenced in conferences which Sen. Copeland and Ole Salthe, his legislative assistant, have been conducting with trade interests.

(2) Lobbying activities of the FTC



THE POSTOFFICE TAKES ON A JOB—From now on, as long as Social Security acts are law, the postoffice will shoulder a gigantic job. Every worker, every employer, must be notified of his connection with the act, must be kept informed, must be kept in sight and not allowed to get lost. First step is the initial education campaign; above is a postoffice supply department, getting millions of circulars, information blanks, posters, and folders ready for general distribution.



Business Week

**WEST AND EAST**—James W. Hook, head of Geometric Tool Co. and new president of the New England Council, has more than a sectional view of business. He is a native of Iowa, and spent ten years there in engineering, manufacturing, and sales work before he headed east. His home now is in New Haven, Conn.

in the House are not apt to be so successful this term. Sam Reyburn of Texas is the leading candidate for the Speaker's job, and although Reyburn is a long-time friend of the commission's, and sponsored the bill to enlarge its powers, he is vigorously opposed to giving that body control over advertising under a food and drug bill. And, as he made clear on the floor last session, he resents the commission's intensive lobbying. The story is told that last Spring, while Mr. Reyburn was spreading the word that the President wanted F&DA to get advertising control, one of the

commissioners followed fast on his heels suggesting that perhaps Sam was a little tetchy in the haid. Reyburn didn't like that.

(3) The commission already has its hands full, what with the Robinson-Patman law and the prospects for increased activity in the regulation of trade practices à la NRA.

(4) Undersecretary of Agriculture Tugwell has resigned. So neither Rep. McReynolds nor any other congressman can properly rail against turning advertising over to the radicals. Admittedly, F&DA has lost a valuable friend at the White House, but there is confidence that the President is so well sold on the bill and the F&DA as its administrative agency that the well-intentioned but backfiring offices of Mr. Tugwell will not be missed. This, notwithstanding the coldness between the President and the Food & Drug Administration's principal sponsor, Sen. Copeland.

L. Carter, complimented the organization on the 10-year job it had accomplished in selling New England to its own people. He stressed the fact of achieving unity among six of the nation's most individualistic states. Forecasting an era of research and education, he predicted permanent social improvement if government regulation of industry could strike a compromise between a hobbling control and one which guards against exploitation of the public.

Industrial officials under the leadership of H. P. Dutton, consulting editor of *Factory Management and Maintenance*, discussed the growing importance of labor training and supply. The conference revealed progress made by modern management in employing techniques since the old days when hiring was done "at the gate," the worker given a number and tossed into the production stream to sink or swim.

Now interest of the company as well as that of the employee demands selection of individuals for suitable jobs, and training to that end. Paradoxically, industry sees a shortage of skilled men while millions remain unemployed. Methods of meeting the situation are developing rapidly.

The time gap between a beginner's wage and that of the skilled operator is being shortened by intensive training. Lynn's General Electric plant was cited as one which is recalling former employees, many over 40 years old. Employment of married women for peak conditions, and more women in light industrial "finger jobs" was noted. The future demands longer-range selection of workers, and the establishment of an apprentice system under the immediate control of top executives.

Other subjects discussed included interstate compacts, flood prevention, wage differential between states, education, hampering laws, tax problems.

## Yankee Horoscope

**New England Council examines the outlook of its social and managerial problems.**

THROUGH an atmosphere cleared of political fogs and furies, Yankee business leaders last week inventoried the present situation and took a look into the future. The occasion was the 12th New England Conference held under the auspices of the New England Council in Boston. General sentiment was for cooperation with the Administration in clearing away the depression debris but it held tight to the healthy privilege of criticism and kicks.

The meeting found a strong trend toward better times for New England industries.

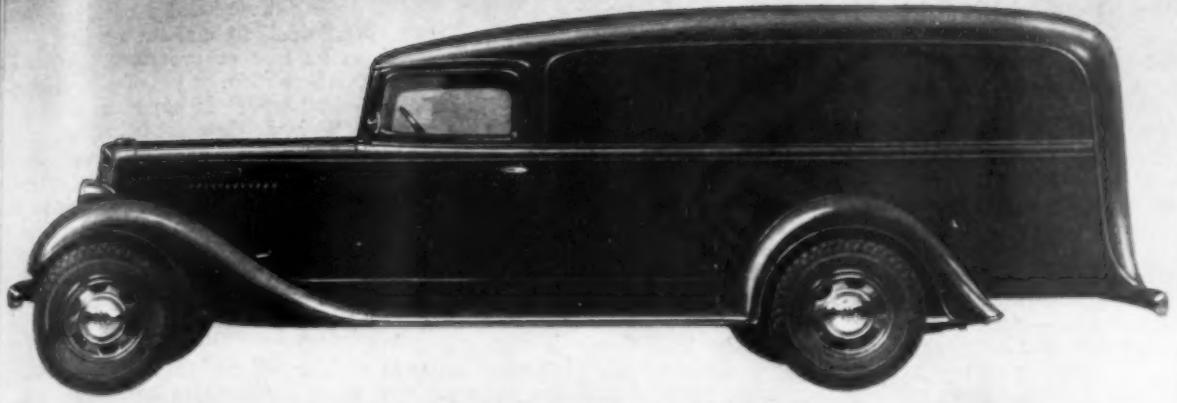
Retiring president of the council, W.



Business Week

**PACKING THEM IN**—When the panel on skilled labor convened at the New England Conference last week, business men packed the room. One of the biggest problems of the day was handled by (from left): Archie Williams, training supervisor Hood Rubber Co.; J. E. Goss, employment manager Brown & Sharpe Mfg. Co.; N. M. DuChemin, assistant manager

General Electric's West Lynn works; H. P. Dutton, consulting editor *Factory Management and Maintenance*; John H. Goss, vice-pres. Scovill Manufacturing Co.; E. I. Peterson, superintendent Bigelow Sanford Carpet Co.; Sidney E. Cornelius, manager Manufacturers' Association of Hartford County; E. Stubbs, factory manager Fellows Gear Shaper Co.



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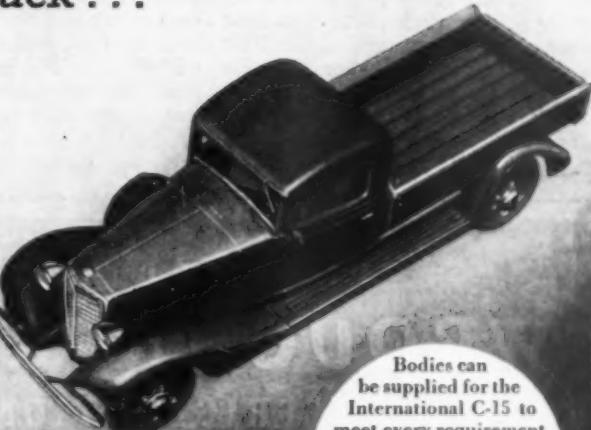
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more than 30 years' truck-building experience. Also guarding your International Truck investment is the nation-wide International Harvester service organization. International has direct factory branches close to every truck user, and many hundreds of International dealers in between.

For further details, phone the nearest International Truck representative or write to the address below. International sizes range from Half-Ton light delivery to the big heavy-duty Six-Wheelers. All available on easy time-payment terms at low rates.



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The panel and pick-up  
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# INTERNATIONAL TRUCKS

# Taxes Oust Investment Trust

**Mayflower Associates, with a standout record, decides to quit because of new earnings surtax. Other trusts will probably bide time.**

BECAUSE of the impact of the undistributed earnings tax on investment trust operations, Mayflower Associates, Inc., an \$18,000,000 enterprise and one of the more successful management trusts, is quitting business. Last week directors voted to liquidate and distribute assets to shareholders. It marks the first big break in the investment trust ranks—a break indicated as far back as July (*BW*—July 11, '36, p 45) and August (*BW*—Aug 8 '36, p 15) just after the revenue law was passed.

## Congress May Make Changes

Stockholders will vote on the proposal Dec. 9, but as directors have a large share in the company's stock, the result is almost a foregone conclusion. The possibility exists that other trusts may follow, but it is likely that most investment managers will bide their time—waiting to see what Congress will do on the tax law.

As the law stands today, investment trusts are subject to the regular corporation tax of 8% to 15% and in addition

to the undistributed earnings tax of 7% to 27%. This applies not only to dividends and interest received, but also to profits taken on securities—profits which investment trusts really regard as a part of their capital funds—to be reinvested in other securities. The law places a high premium on the retention of securities' profits. Yet, if trusts pay out such profits, they place themselves in the position of self-liquidating enterprises.

The trust theory is that profits in good years will tend to offset losses in poor years. But if the trusts pay out those profits, then they will have nothing to fall back on, as a cushion, when the markets go kerplunk. And even if the trust were to retain the profits, the penalty for so doing is great and would tend to eat into the capital. For, each time the trust switched from one stock on which it had a profit to another stock, the government would take a normal cut of 5% and a surtax cut of about 17% on that profit. After a declining market, every effort of an

investment trust is directed toward building up toward where it was, but the government, in its new law, imposes a penalty on doing so.

Mayflower Associates might have transformed itself into a mutual investment company and avoided taxes, but that would have meant a radical change in its type of operations. Mayflower has been more or less of a "special situation" trust. It has taken large positions in development industries, particularly mining and petroleum shares. Had it become a mutual company, the trust would not have been able to concentrate its holdings in a few special companies; and furthermore, it would have had to pay out 90% of its earnings in dividends.

## Good Record for Mayflower

The policy of the Mayflower management has been to emphasize growth rather than dividends (yet it was one of the few companies which paid dividends regularly during the depression). Its record stands out. Public distribution of the stock took place in 1929, around \$60 a share; as of Oct. 10, net asset value was \$74.23 a share. In addition to cash dividends, the company has paid out special distributions in stocks.

In his letter to shareholders, Robert E. McConnell, president, wrote: "It is the opinion of your board of directors that, under existing tax laws, we cannot achieve the purposes for which the company was organized and that your interests are better served if your *pro rata* share of the assets of the company is distributed to you."

The current investigation of investment trusts by the Securities and Exchange Commission is expected to bring forth in detail the tendency of the revenue law to denude trusts of their capital—either by forcing them to pay out profits on securities as dividends or by taking a share of those profits in taxes.

## Trust's Function Debated

Trust managers hope that the government will abolish all taxes on securities profits. The argument is that the function of a trust is to preserve the capital of investors; that the real earnings are represented by income from interest and dividends, not by non-recurring profits on purchases and sales.

As it is, the taxes pile up repetitively. First, the government collects taxes on the earnings of corporations whose stocks are held by investment trusts. Then the investment trusts that receive those earnings in the form of dividends must pay taxes on them, because the dividends represent the earnings of the trust. And finally, when investment trust earnings siphon through to stockholders in the form of dividends, the stockholders must pay personal income taxes on those dividends.

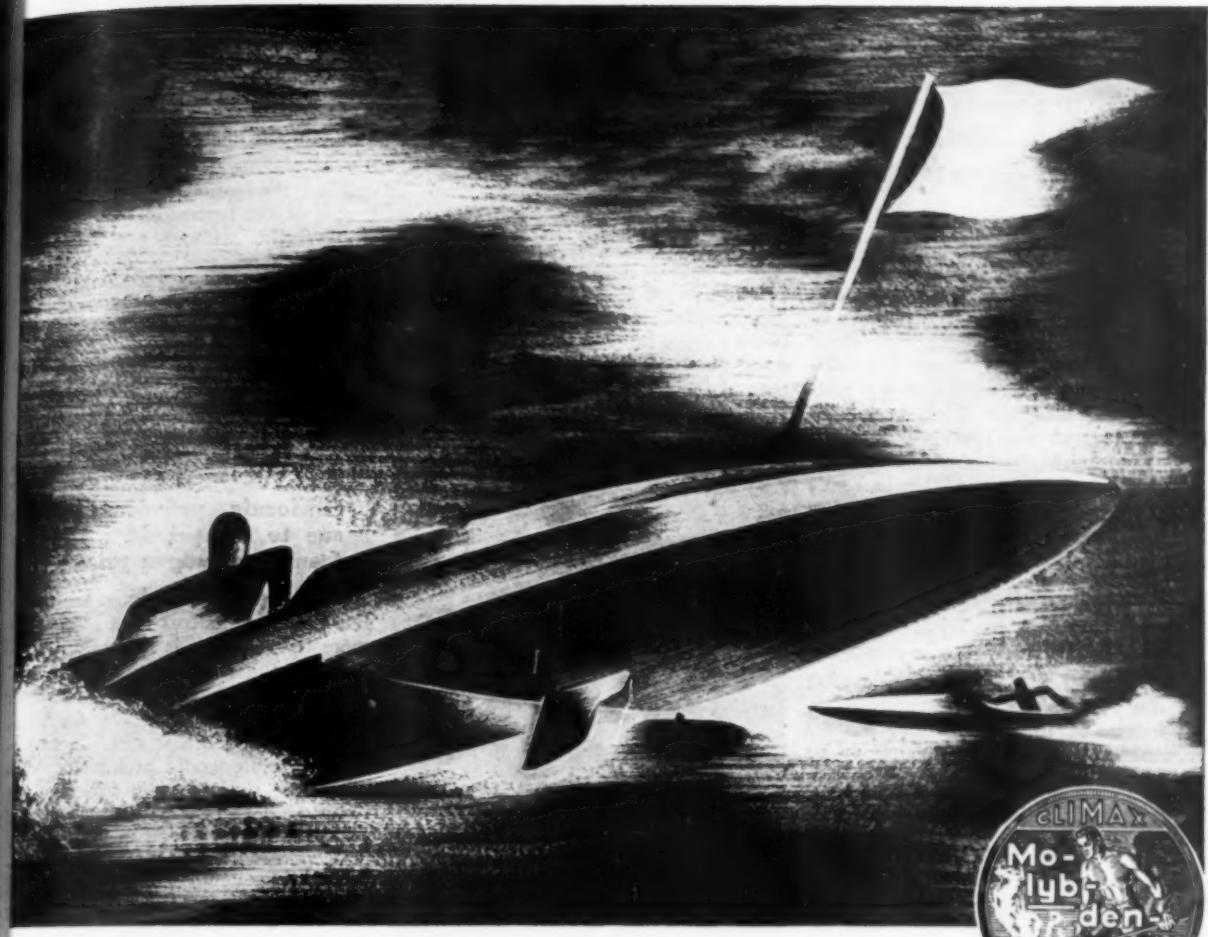
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**WROUGHT IRON**  
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WATCH the refrigeration system in your plant if you want to cut replacements. This service is tough on pipe. Where ordinary ferrous metal averages only 8 years—wrought iron averages 19 years. That's why many leading industrials use Byers

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Behind the Molybdenum steels that help so much to make high motor speeds and lighter weight possible lies a vast accumulation of data secured in the most exacting laboratory of all—field experience.

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fabricating process, whether it be forging, machining, heat-treating or case-hardening.

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CREATES SALES

## **What They're Doing in Printing**

New processes emphasize speed, color, fidelity, and low cost. McGraw-Hill moves to Albany, indicating trend to decentralization.

SIGNIFICANT as mechanical trends are in the printing industry, the paramount trend is exemplified by McGraw-Hill's taking its 23 magazines one by one to Albany, N. Y., for printing, and is unmechanical. In other words, when the J. B. Lyon Co. linotyped the final newsflash that was teletyped from The New York publishing offices, printed the Nov. 21 *Business Week* overnight, and shot the finished copies into the hands of Uncle Sam's mailmen, *BW* took its place in the decentralizing march of big city manufacturing printing and its relocation in the smaller cities with their inherent and more mobile manufacturing advantages.

## **Speed Comes First**

Speed is the very first consideration in the mechanical trends of printing, as witness inventors' efforts to achieve photo-mechanical typesetting, yet to be realized in the composing room; metropolitan teletypesetters setting copy on a dozen Linotypes in a dozen distant cities with only a machinist in attendance at each machine; Walter Howey's electric-eye engraving machine which turns out a lineally cut half-tone in minutes instead of hours; "Vaporinized" and "Flashdry" inks for quick drying and non-offsetting; the less known but fast cellophane process of combining dotted half-tone and emphatic line on one and the same photo-engraving.

But to the buyer of printing, even more essential than sheer speed is accuracy, fidelity in reproduction. "Most important trend of the day," says Ernest F. Trotter, managing editor of *Printing*, "is found in the increasing use of color, the essence of true reproduction." Color photography more and more replaces "art work." Wherefore one looks forward to the time when a set of four-color plates may be bought for less than the cost of a good sedan.

## Electrotypes Improved

Also, the printing quality of electrotypers is steadily improving as a result of research work by International Association of Electrotypers and Stereotypers, and their printing life will be extended by a new heat-treating method which will double the Brinell hardness of the backing metal. Possibly a new method of vibrating stereos during the casting operation will result in such fidelity of reproduction that their use will extend to operations outside the newspaper field. Possibly rubber and synthetic rubber plates will solve the

problems of printing life and shipping cost.

Still another trend important to the printing buyer is that toward offset or planographic printing right in the buyer's shop. Black and white work and color work far more creditable than that of the ordinary job shop is turned out by an office Multilith. And for



International Printing Ink Corp.

**SPEEDY SPECTER** — Printing research advanced many steps when "Specter" (nickname for the photoelectric spectrophotometer developed at M.I.T. and used commercially for the first time by I.P.L.) began to solve problems of high fidelity reproduction involving exact color analysis. Its graphic curves may be filed for mistakeproof color matching later.

short runs Ditto is ready with a machine which will print up to 16 colors in one and the same impression, though of course they are not the same richly true to life colors available in color gravure, lithograph, and letterpress. Should the buyer desire an extremely long run from one set of plates, chromium plating of metal engravings and type matter is available.

No round-up of trends can be complete without a cautious dip into the far future. Research, and the spirit of research among men who would not know the difference between a test tube and an electric eye, are jointly responsible for the printing advances already made and consolidated. But years hence, the buyer of printing will de-

liver large jobs of copy and illustration televisoally to the manufacturing printer in a distant city; proof will be rendered and corrections transmitted in like manner; the printer will compose type photo-electrically, direct from typewritten copy, make up his pages from original illustrations plus reproduction proofs of the typemaster "pulled" electro-statically, without physical contact with the type, and, produce his press plates directly by photochemical means. And it may just be that one make-ready will produce millions of impressions without type or plate wear by the same electro-static process, the fourth major contribution to the art of printing.

## To Force Price-Fixing

**California petroleum dealers sue to compel 15% mark-up from tank wagon price.**

**ACTION** designed to stabilize retail gasoline prices in California, in prospect for more than a year, is being initiated finally by the Retail Petroleum Dealers' Association, of Los Angeles, under terms of the State's Fair Trade act which forbids selling below cost. If successful, the effort would prohibit operators of service stations from selling at less than a definite margin above tank wagon prices.

A temporary restraining order, prohibiting sales "below cost," has been granted the association by the Los Angeles County Superior Court against eight operators of 20 stations. In accord with terms of the Fair Trade act, a cost study has been made by the association and a mark-up determined (15%) which must be added to the tank wagon price in order to operate within the law. The act provides a definite method for determining costs.

## Status Quo

Effectiveness of this action by the petroleum dealers' organization hinges on the fate of the Fair Trade law now pending before the Supreme Court of the United States. Manny, Moe, and Jack, the Pep Boys (those seven words are their corporate name), who operate a string of auto supply stores in California, and Clarence Kunsman, Beverly Hills druggist, appealed a decision of the California Supreme Court which ruled the act valid, and a pronouncement by the highest court is expected shortly. Until it comes, the gasoline action remains in a state of suspended animation.

Meanwhile, a survey early in November of service stations in Los Angeles County showed 33.3% of the dealers were selling third structure gasoline below the posted price, while 35.9% were selling both third structure and regular at less than the posted price.

# Brokers Fear SEC Blows

New York Stock Exchange seats sink to \$102,000, almost the year's low, because commission is expected to limit members' trading rights.

REFLECTING disquiet over the Securities and Exchange Commission's resolute attitude toward segregation of broker-dealer functions, New York Stock Exchange seats last week sunk to \$102,000, close to the year's low of \$100,000 even, and a long distance away from the 1936 top of \$174,000.

Although the SEC intends to go slow, and Stock Exchange and Curb Exchange authorities will have further conversations with the commission, brokers have made up their minds that drastic changes are in the offing—changes which will affect their earning capacity. Moreover, rules only recently promulgated by both the SEC and the Federal Reserve Board are designed to restrict immediately trading activities of customers and brokers—both.

## Points of View Differ

The commission has made it clear that exchange members indulge in about 20% of the total activity on the floor of the exchange. To the Stock Exchange, this is decidedly beneficial, insofar as it tends to enhance liquidity for securities. But the SEC looks upon these so-called in-and-out operations of professional operators obliquely.

It is generally conceded that such trading narrows the spread between bid and asked prices and hence narrows the

price range between sales. But at the same time such trading, the SEC argues, emphasizes up-and-down movements in stocks.

In other words, according to the SEC, professional trading irons out sale-to-sale fluctuations, but has the disadvantage of aggravating swings of the market. To curb this, the commission has suggested two steps, both of which clip the wings of brokers by raising their margin requirements: First, partners in commission houses which take orders from the public must own all stocks outright, must not trade on margin; second, all floor traders must comply with Federal Reserve margin requirements on securities; thus in-and-out transactions (so-called daylight trading) cannot cancel one another—each trade, in and by itself, must be margined at 55%.

The effect of this would be to require a much larger amount of brokerage capital to conduct active trading in the market. Even if a floor trader buys a stock in the morning and sells it in the afternoon, he would still be required to put up funds. Naturally, this will limit professional activity on the floor.

The public also will be circumscribed in its scope, if the Federal Reserve Board has its way. The board has submitted to Federal Reserve Banks a

recommendation that would require security purchasers to post their margins immediately. Today there is a three-day lag. The buyer of stock does not have to put up cash immediately, and if he closes out his transaction he has had a "free ride."

Any hindrance to trading, whether by customers or by brokers, themselves, impinges upon the earning power of an exchange membership—hence the sensitiveness of seat prices to recent SEC activities. And if the SEC goes whole-hog, as it indicates it may, brokers will have a tough time eking out interest, not alone profit, on the capital invested in their memberships.

## Just Gardenias, Not Symbols

Right now, trading is fairly active. Volume has been running fairly consistently at 2,000,000 shares daily, which would enable most brokerage partners to earn a fair living. Without SEC persistence on broker-dealer—segregation, seats might be selling considerably higher—in line with the general upward price trend. But wearing a gardenia in the buttonhole (symbol of Stock Exchange membership) is no longer a sign of affluence.

To the SEC, brokers are in the dual



*Underwood & Underwood*

**SMILES**—But that doesn't mean that it's not serious business. SEC Chairman Landis (the smallish man with the cigarette holder below) has just finished discussing broker-dealer segregation with representatives of the New York Stock Exchange, who are, from left: Herbert G. Wellington, Robert Proctor, of exchange counsel; Gayer Dominick; (skip Mr. Landis); Howland S. Davis, and Bradford B. Smith, newly-named exchange economist. In the other picture, R. Parker Kuhn (left), vice-president of the First Boston Corp., is enjoying a whimsicality with Fred C. Moffatt, president of the New York Curb Exchange. (Mr. Kuhn maintained strict neutrality when questioned regarding over-the-counter trading in Boston Edison Electric Illuminating bonds, in which the curb would like to conduct unlisted trading.)



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SS WEEK

position of serving two masters. If they trade for their own account and execute orders for customers, the temptation exists to profit at the expense of clients. The Stock Exchange has severe rules covering this ticklish ethical point. Customer orders must be handled before brokerage house orders. But, apparently, the SEC wants to eliminate the ethical problem altogether by divesting brokers of their dual functions. A broker would be empowered either (a) to deal in securities by acting for himself as buyer or seller, or (b) to handle orders for customers; not both.

#### Specialist Under Suspicion

Changes also might be ordered in the status of the specialist, who trades for himself, executes orders for other brokers, and even handles orders for customers. Besides all that, the specialist "runs" the book—that is, he keeps track of all buying and selling orders, and therefore knows what overhangs in the way of intentions to buy or sell.

At the moment, both the New York Stock Exchange and the New York Curb are waiting anxiously. In a showdown, they might contest the constitutionality of the entire Securities Act of 1934 as an invasion of their right to do business and as a confiscation of their property rights in the securities markets they have created. But legal action depends on how far SEC tries to go.

In the meantime, there are other problems. The Chicago Stock Exchange has taken a stand against permitting unlisted trading on other exchanges in securities which are fully registered in Chicago. So far, the two big New York exchanges have not opposed trading in their securities on other markets. In fact, the Curb Exchange has welcomed it as a stimulus to business.

The New York Curb, moreover, is having some battles of its own. An SEC examiner has recommended that unlisted trading in Bower Roller Bearing shares be forbidden on the ground that the company delisted its stock from the Detroit Stock Exchange in order to evade disclosing information required by the Securities Act of 1934. Bower Roller Bearing has been dealt in on the Curb on an unlisted basis since March, 1930, and is fairly productive of commissions.

In addition, the Curb has sought to conduct an unlisted market in Edison Electric Illuminating 3½% first mortgage bonds, due in 1965. The company opposes the trading, but the Curb contends that such dealings are in the public interest. The decision will establish whether an exchange can permit unlisted dealings in securities without the company's consent; indeed, it will determine whether an exchange can conduct unlisted dealings despite the company's specific request not to do so.

## Crucial R-P Test

New complaints by Trade Commission involve a clear-cut issue on quantity discounts.

WHAT is "due allowance for savings in the cost of manufacture, sale, or delivery?" This is the first critical question about the Robinson-Patman law which manufacturers want answered, and the filing of complaints this week by the Federal Trade Commission against Standard Brands and Anheuser-Busch, Inc., should help speed the answer.

When the first fear of the R-P law began to thaw out (*BW*—Sep 1936 p40), manufacturers thought the due allowance provision of the law would permit at least some quantity discounts. It soon became apparent that FTC, at least for the purposes of argument, thought otherwise, for as manufacturers began to restore some of the discount schedules, openly but with caution and due regard for the cost-accounting evidence which might be required to justify such actions, FTC slapped down complaints against the Kraft and Shedd Cheese companies, the Bird floor covering company, and Montgomery Ward.

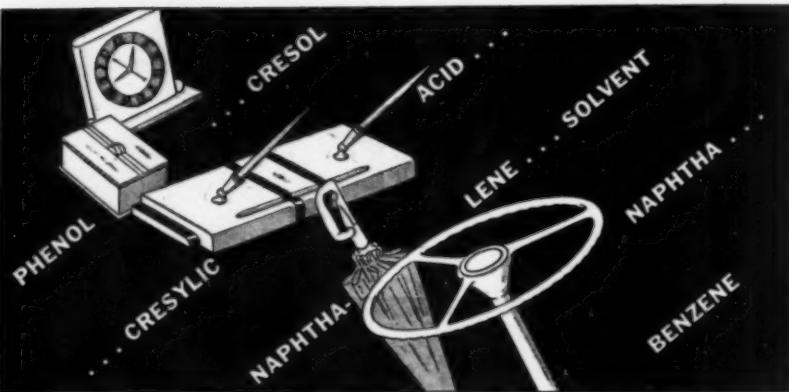
Last week, when these defendants filed their answers, it was apparent that the original complaints, all involving quantity discounts, had largely blown up right in FTC's face, having been based on false or inadequate premises (*BW*—Nov 21 '36, p14). Hence the new complaints this week against Standard Brands and Anheuser-Busch, on which FTC seems to think it stands a better chance of securing a ruling on the provision which will place at least some clamps on discounts.

#### Discounts up to 36%

These companies are accused of price discrimination in offering a graduated scale of quantity discounts on bakers' yeast ranging from 25¢ for one pound of yeast a month to 14¢ a pound for yeast purchased in quantities exceeding 50,000 pounds a month. Although the discount schedules of both companies are identical, no charge of collusion or conspiracy is advanced.

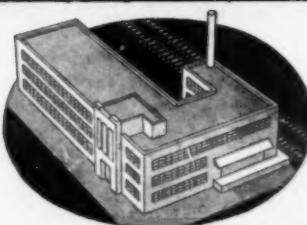
Another significant difference in the thinking of industry and FTC about the R-P law was apparent at the trade practice conference of the toilet goods industry in New York last week. A provision which would have forbidding payment of p.m.'s (push money, or bonuses to sales clerks) when such action had the tendency to suppress competition or deceive the buying public lost out after bitter dispute by a tie vote 39 to 39. Another provision banning p.m.'s unless paid on proportionally equal terms was approved for inclusion.

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in the Group 1 rules, which are supposed to be merely restatement of law on the statute books. A fortnight ago FTC issued complaints against four cosmetic manufacturers, charging that their p.m. and demonstrator policies violated the R-P law. The inference drawn from the action at the trade practice conference runs to the contrary—to the assumption that the R-P law does not apply to p.m.'s except in so far as they may not be made available on proportionally equal terms.

## Field's Sails Are Set

Company is expected to move ahead fast, now that recapitalization is approved.

THE recapitalization of Marshall Field & Co., that was approved by its board of directors last week, is considered by insiders as the final major operation in Chairman James O. McKinsey's overhauling process of the Field business, which has already progressed through the stages of amputation, reorganization, and revivification.

At the time Chairman McKinsey took command, and at the end of 1935, the company's long-term obligations consisted of \$15,200,000 in 5% mortgage bonds and \$8,599,500 in 4½% debenture bonds.

Under the new set-up there will be \$14,000,000 in first mortgage bonds (including \$10,000,000 to be issued to the Metropolitan Life Insurance Co.) and a bank loan of \$5,000,000 which is to be repaid at the rate of \$1,000,000 a year for five years. This will mean that aside from current accounts the company will owe \$19,000,000 in long-term obligations compared with \$23,799,500 at the beginning of 1936.

### Reduce Interest Charges

Interest rates on the new bond issues and bank loan are quoted by Mr. McKinsey as being from 1½% to 4% and as averaging 3½%, which will cut interest costs for 1937 by approximately \$481,000, while the new capital structure calls for only \$1,000,000 of annual amortization compared with \$1,500,000 under the old set-up.

The actual changes in the capital stock structure, which are expected to be approved at a special stockholders meeting on December 26, provide for (1) a cash payment of \$11.50 per share against the \$31.50 per share of accumulated dividends that are due on the 296,190 shares of 7% preferred stock, callable at \$120; and (2) exchange of one share of the 7% preferred stock for ½ of a share of common stock plus one share of new 6% preferred stock which will be callable at \$110 and convertible for 10 years at the option of the holder into common stock at the

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rate of three shares of common for one share of preferred.

When that program has been carried out the Field capital set-up will consist of the same-as-previous number of preferred shares (296,190) and 1,631,547 instead of 1,384,722 shares of common stock, which dividend requirements will be reduced by \$296,190 per year.

Those who have followed Mr. McKinsey's operation on Field's very closely believe that with this recapitalization completed, the Field business will enter 1937 with all sails set for showing the full effect of the new regime in its performance record.

They point out that the personnel of the various Field units has recovered from the shell-shocked state of morale that existed for some months after Mr. McKinsey began his amputations, and today each unit is operating at a state of efficiency that had not prevailed for some years past.

#### Burdens Lifted

Furthermore the elimination of loss-producing operations, such as the wholesale department, the Davis and other retail stores, has taken a heavy burden from those units that were or are now operating at a profit, and this is expected to have a wholesome and welcome effect on over-all results.

Finally they point out that Mr. McKinsey stepped into the Field job soon after the trade-retarding influence of certain New Deal measures had been removed by the Supreme Court; that he could prosecute his permeating pruning and rejuvenating program through a period when business as a whole was gaining momentum steadily and this gave him the advantage of riding along with a rising tide of general prosperity.

#### Food Poisoning—Maybe

WASHINGTON (Business Week Bureau)—Diagnoses of food poisoning, and press reports that contaminated food has been at the bottom of illness or death are frequently made without sufficient evidence, according to the annual report of the Food and Drug Administration recently issued.

Officials of the Administration investigated 65 outbreaks of illness in 46 communities, scattered through 20 states. The suspected products included meats, fish, shellfish, fruits, vegetables, dairy products, pastries, soups, and condiments.

Some of the illness diagnosed at first as food poisoning proved to have been typhoid fever and dysentery, and in three other cases evidence indicated accidental consumption of methyl (wood) alcohol, strichnine, or sodium fluoride as the real cause of death. In 59 examined cases laboratory tests or epidemiological investigation failed to substantiate the charge of food poisoning.

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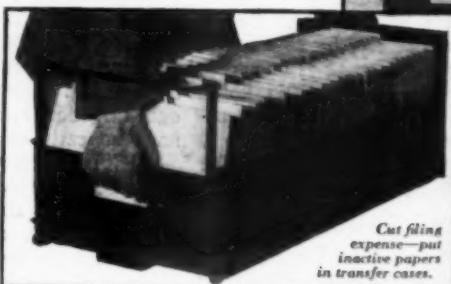
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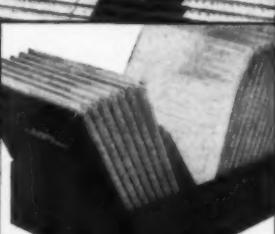
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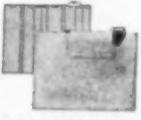
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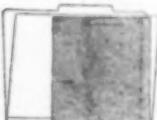
### FILE FOLDERS

Manila, kraft, pressboard—with plain, reinforced metal or celluloid tabs.



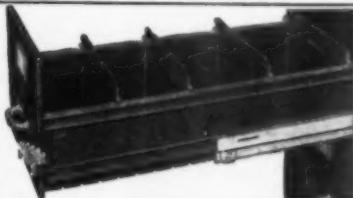
### CHARGING SYSTEMS

Simple inexpensive forms to charge out-of-file papers to individuals, preventing loss.



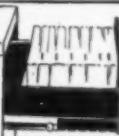
### CROSS REFERENCE SHEETS

Standard forms to indicate material filed under another classification.



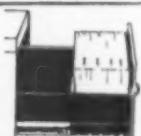
### FLEXIBLOCKS save file space

Eliminate space consuming followers. Adjustable along channels at bottom of drawer, holds papers upright for quick and easy reference. For use in all types of Remington Rand files.



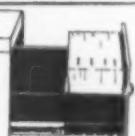
### OLD WAY

100 folders—10 papers each—use 13" of filing space.



### ECONOMY FASTENERS

Kompakt Fasteners, a new invention for heavy duty, save 25 to 60% space of ordinary fasteners. Make a flat neat folder with no rough edges to catch adjacent papers or folders. Scottie Fasteners are most economical for light duty.



Same material with Kompakt Fasteners need only 7".

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Underwood & Underwood



Acme



Wide World

**REPLACEMENT TIME** — First batch of administrative replacements; from top: W. W. Alexander, Resettlement Administrator; John G. Winant, Social Security Board chairman; R. M. Evans, assistant to See. Henry Wallace; Charles Edison, Assistant Sec. of Navy.

## Holding Company Offers Truce

**Northern States Power registers with SEC, but says it's reserving right to fight "death sentence."** Others that need refinancing may fall in line.

JUST a few days less than a year after the federal government put the "death sentence" into effect, one of the important public utility holding companies which had been suing to upset the law about-faced and fell into line. But it wasn't a top holding company of a major system, and the action it took last week seemed a capitulation to expediency, not unconditional surrender.

Nevertheless, the Securities and Exchange Commission jubilantly regarded the decision of Northern States Power Co. of Minnesota to register as a break in the so-called united front of unconstitutionality litigation. While 65 holding companies complied with the temporary registration order on Dec. 1, 1935, 125 others including most of the larger systems took the law to court.

### No Widespread Desertions

Reports that Northern States' break was the beginning of large-scale desertions, however, got little credence. The story is that a few which have important financing to do may think it advisable to register. That, in the opinion of utility observers, was what dictated Northern States' action.

This registration had, in fact, been foreseen. Several days earlier H. M. Byllesby & Co. (whose control runs down through Standard Power & Light to Standard Gas & Electric and thence to Northern States) had given the tip-off. It proposed to trustee its controlling stock interest in Standard Power, thus relinquishing its vote, and asked SEC therefore to rule that Byllesby was not a utility holding company.

Credible rumors immediately went around that some of the Standard Gas companies wanted to refund at present favorable interest rates, that the savings would be passed along to Standard Gas to aid the latter in its reorganization under 77b. Then came the announcement of John J. Burns, SEC general counsel, that the \$271,000,000 Northern States Power—holding-operating company which controls some 13 companies in Minnesota, North and South Dakota, Illinois, and Wisconsin—was registering. And Mr. Burns dropped the hint that Standard Gas might follow suit although officials remain silent.

Northern States has about \$34,000,000 of 5% and 6% bonds falling due in 1941, \$7,500,000 of 5½% notes due in 1940, and \$55,000,000 of 4½% and 5% bonds of more distant maturity. Many holding companies have felt all along that they couldn't very well offer bonds with the death sentence

hanging overhead, but registration puts a better face on such operations.

Nevertheless, Northern States took the plunge with its fingers crossed. Its president, Robert F. Pack, declared that "we shall, of course, in registering, reserve all our constitutional rights." he referred to the belief of many utility lawyers that holding companies which register forego all further right to contest constitutionality of the law.

But, when the 125 protestants went to the courts instead of registering a year ago, they had in mind securing a Supreme Court ruling within a reasonable period. Now, as Mr. Pack points out, litigation has dragged for a year and "an early decision is not likely."

SEC is determined that its suit to compel Electric Bond & Share and affiliates to register shall be the first test to reach the high court. This case has gotten no further than United States District Court in New York where Judge Julian W. Mack has heard arguments and is reserving decision.

### Long Wait Ahead

The government lawyers in this case contended hotly that only sections 4 and 5 of the law (the sections which order holding companies to register) were at issue. Bond & Share retorted that all aspects of the law must be weighed, including section 11 with its death sentence, because stockholders face irreparable damage if their companies are forced to register. Judge Mack indicated that he will have to have more briefs and arguments if he decides to rule on all points.

So, if the court entertains a broad test, the date when the Supreme Court will give its final verdict is far in the future. This notwithstanding the fact that the Circuit Court can be overruled under certain circumstances, both sides agreeing.

Other test cases meanwhile are at a standstill. The SEC has secured stay on the grounds that the courts shouldn't be cluttered up with a multiplicity of litigation and that its Bond & Share test will answer all the pertinent questions. But American Water Works & Electric Co. and North American Co. already have gotten to the Supreme Court with a plea that the stay against their suits in the District of Columbia Supreme Court be dissolved. A verdict in their favor might bring their test cases up to the high court ahead of SEC's "hand-picked" Bond & Share action, but most lawyers doubt it because SEC is committed to heading them off.

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| All other makes |      | 57  |
| Total           |      | 285 |



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**The Business Record, State By State**  
**Percent Gain or Loss from First 9 Months of 1935 to First 9 Months of 1936**

| States by Regional Groups |  |  |  |  |  |  |  |  |
|---------------------------|---|---|---|---|--|---|---|---|
| New England.....          | +32   | +17   | +20   | -5  | +14  | +23   | +8  | +71   |
| Maine.....                | +40   | +33   | -9  | -7  | +16  | +80   | +2  | +16   |
| New Hampshire.....        | +24   | +33   | +9  | -3  | +6   | +9  | -9  | +222  |
| Vermont.....              | +20   | -5  | +26   | +2  | +15  | +4  | -10   | +41   |
| Massachusetts.....        | +33   | +10   | +20   | -5  | +15  | +9  | +6  | +47   |
| Rhode Island.....         | +28   | +31   | +20   | +1  | +14  | +21   | +42   | +200  |
| Connecticut.....          | +30   | +19   | +34   | -7  | +15  | +12   | +22   | +106  |
| Middle Atlantic.....      | +22   | +26   | +33   | -7  | +12  | +13   | +13   | +121  |
| New York.....             | +28   | +14   | +24   | -7  | +12  | +17   | +11   | +95   |
| New Jersey.....           | +25   | +28   | +26   | -5  | +9   | +15   | +13   | +206  |
| Pennsylvania.....         | +37   | +39   | +50   | -8  | +9   | +9  | +15   | +246  |
| East North Central.....   | +30   | +31   | +36   | -6  | +18  | +16   | +16   | +57   |
| Ohio.....                 | +36   | +39   | +38   | -8  | +20  | +11   | +16   | +36   |
| Indiana.....              | +28   | +14   | +41   | -8  | +22  | +6  | +13   | +17   |
| Illinois.....             | +31   | +43   | +28   | -7  | +17  | +26   | +23   | +120  |
| Michigan.....             | +27   | +25   | +50   | -3  | +22  | +17   | +13   | +13   |
| Wisconsin.....            | +22   | +27   | +25   | -3  | +18  | +19   | +6  | +89   |
| West North Central.....   | +13   | +17   | +18   | -3  | +11  | +16   | +6  | +71   |
| Minnesota.....            | +24   | +13   | +22   | -1  | +14  | +23   | +29   | +133  |
| Iowa.....                 | +3  | +6  | +15   | -0.5  | -8   | +15   | -2  | +16   |
| Missouri.....             | +18   | +30   | +32   | -6  | +9   | +12   | -16   | +62   |
| North Dakota.....         | -11   | -15   | -27   | -15   | +12  | +16   | +13   | +157  |
| South Dakota.....         | +3  | -1  | -7  | +6  | +30  | +30   | +26   | +97   |
| Nebraska.....             | +12   | +19   | -0.4  | -1  | +17  | +31   | +16   | +12   |
| Kansas.....               | +12   | +26   | +15   | -5  | +9   | -1  | +18   | +194  |
| South Atlantic.....       | +14   | +21   | +26   | -2  | +14  | +9  | +21   | +32   |
| Delaware.....             | +20   | +26   | +14   | -10   | +25  | +10   | +26   | +32   |
| Maryland.....             | +23   | +15   | -4  | -3  | +16  | +12   | +1  | +5  |
| District of Columbia..... | +13   | +25   | +56   | +1  | +19  | No data   | +33   | -9  |
| Virginia.....             | +13   | +21   | +37   | -1  | +10  | +23   | +36   | +38   |
| West Virginia.....        | +46   | +46   | +49   | -1  | +9   | -1  | +30   | +16   |
| North Carolina.....       | -13   | +8  | +39   | -6  | +14  | -7  | +23   | +69   |
| South Carolina.....       | +2  | +15   | +36   | +2  | +13  | +0.3  | +21   | +280  |
| Georgia.....              | +17   | +26   | +11   | -8  | +11  | +18   | +21   | +7  |
| Florida.....              | +29   | +25   | +12   | +4  | +17  | +18   | +14   | +75   |
| East South Central.....   | +14   | +37   | +19   | -7  | +13  | +2  | +16   | +81   |
| Kentucky.....             | +10   | +26   | +46   | -8  | +10  | -17   | +6  | +21   |
| Tennessee.....            | +9  | +26   | +14   | -6  | +14  | -2  | +11   | +55   |
| Alabama.....              | +19   | +39   | -5  | -12   | +12  | +15   | +23   | +101  |
| Mississippi.....          | +27   | +69   | +46   | +2  | +19  | +24   | +20   | +333  |
| West South Central.....   | +15   | +31   | +20   | -1  | +16  | +3  | +16   | +47   |
| Arkansas.....             | +9  | +32   | +6  | -4  | +21  | +8  | -45   | +70   |
| Louisiana.....            | +35   | +43   | +32   | -6  | +14  | +10   | +28   | -46   |
| Oklahoma.....             | +8  | +36   | +10   | +4  | +18  | -8  | +14   | +94   |
| Texas.....                | +14   | +27   | +23   | +0.3  | +15  | +4  | +16   | +84   |
| Mountain.....             | +35   | +23   | +26   | +11   | +14  | +16   | +19   | +61   |
| Montana.....              | +23   | +5  | +38   | +14   | +3   | +1  | +13   | +30   |
| Idaho.....                | +28   | +24   | +26   | +17   | +11  | +11   | +17   | +74   |
| Wyoming.....              | +49   | +29   | +17   | +15   | +14  | +39   | +24   | -31   |
| Colorado.....             | +41   | +60   | +18   | +1  | +15  | +30   | +19   | +140  |
| New Mexico.....           | +29   | +12   | +12   | +21   | +12  | +21   | +12   | +370  |
| Arizona.....              | +37   | +20   | +2  | +42   | +19  | +5  | +31   | +58   |
| Utah.....                 | +36   | +2  | +50   | +8  | +14  | +13   | +40   | +128  |
| Nevada.....               | +51   | +24   | +48   | +16   | +15  | +22   | +67   | -22   |
| Pacific.....              | +38   | +24   | +35   | +1  | +19  | +13   | +13   | +46   |
| Washington.....           | +56   | +22   | +43   | +11   | +23  | +7  | +11   | +70   |
| Oregon.....               | +63   | +43   | +35   | +10   | +16  | +20   | +16   | -23   |
| California.....           | +31   | +20   | +33   | -1  | +18  | +13   | +14   | +52   |
| UNITED STATES.....        | +25   | +25   | +29   | -5  | +14  | +13   | +14   | +71   |

(c) Business Week

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## SCRAPPING TRADITION



Three and a half pounds lighter. Scratch-proof finish. Quieter. New convenience features. Smart, modern contours... There's the modern formula for more vacuum cleaner sales!

Thirteen new plastic parts help make this new Hoover the most salable cleaner on the market. Motor-housing, connectors, crevice-tool, etc. are molded of Durez—half the weight of aluminum, non-resonant, and fabricated complete in a single operation. Other plastic parts are the tear-drop motor cover, blower, attachment, ventilating fan, bag attachment and core plugs.

Redesigning with plastics means more than new sales arguments, too. With the new Hoover, demonstrators can't chip the molded hood, and thousands of dollars in factory refinishing are saved. And the Durez parts are made in one operation, complete to holes, lugs, imbedded inserts and final lustrous finish.

Perhaps you have a product which can be redesigned in Durez...which can use the lustrous, chip-proof finish, the marvelous lightness, the noise-muffling quality of molded Durez. You'll find it gives new sales features and new production savings.

Why not let Durez bring these same advantages to your product? For further information and a copy of free monthly "Durez News" write General Plastics, Inc., 1111 East Walck Road, North Tonawanda, New York.

**GENERAL PLASTICS'**  
**DUREZ**

DUREZ is a hot-molded plastic, simultaneously formed and finished in steel dies. STRONG...LIGHTER THAN ANY METAL...HEAT-RESISTANT...CHEMICALLY INERT...SELF-INSULATING...WEAR-PROOF FINISH.

NOVEMBER 28, 1936

## New Products—New processes, new designs; new applications of old materials and ideas.

BURGESS Acoustical Telephone Booth (with a ceiling, three walls, and the fourth side open), designed originally for noisy industrial locations, comes from the hands of Alfonso Iannelli, product designer, in a de luxe model to harmonize with office, hotel, or department store furnishings, but without changes in its fundamental doorless design. One simply walks into the booth (remember, there is no door) and has the breath-taking experience of being cut off from all sounds other than those coming from the telephone. Burgess Battery Co., Acoustic Division, will furnish booths in three standard exterior colors: gray, mahogany brown, and flat white for subsequent finishing by interior decorators.

PREFERRED UTILITIES CO., INC., is adding new belt- and steam-driven oil burners to its line of electrically driven horizontal rotary oil burners. Designed primarily for ship ranges, they should find wide industrial application in other services adjacent to steam and mechanical power transmission lines; could find application in farm homes unserved by electricity, but having water available for water motors.

MOLDED PRODUCTS CO. extends the principle that the package should indicate the nature of its contents to one whereby the package itself should look like the packaged. In its newest offer-



ing, salted peanuts will find themselves packaged in a hollow, molded wax facsimile of a jumbo peanut over four inches long.

"CORAVOL," newest development of Western Chemical Co., is a liquid treatment for steam systems, which dissolves in boiler water, volatilizes with the steam, goes right through prime mover or heating coil, and returns to the boiler with the condensate, ready for another cycle. Laboratory and full-scale tests indicate that this liquid will arrest carbon dioxide and neutralize carbonic acid throughout the steam system.

"PARKAY" ready-made floors are genuine hardwood parquet floors, laid in strips like linoleum on a base of adhesive and felt. Wood-Mosaic Co. ships them in cartons, each containing



eight 2 x 6 ft. sections. Thus a complete teakwood or oak and walnut floor may be laid, completely finished and ready for use in a few hours rather than days. And with no hammering to distort the ordinary routine of home or office.

INTERNATIONAL PRINTING INK CORP. will soon announce "Holdfast," a new ink embodying a new drying principle, not to be confused with Vaporized and other inks flash-dried by heat. Air-dried test sheets printed in dull black are sufficiently rub-proof to be put through folding machines within 90 to 120 minutes after leaving the press.

"C-X TEXBORD," the Celotex Corp.'s newest wall-covering contribution to modernization, combines a cabinet wood veneer, like mahogany or walnut, with a Celotex base; comes in standard units 6 and 9 in. wide, 8 and 10 ft. long. Being a scant  $\frac{1}{4}$  in. in thickness, it may be applied over existing walls without removal of baseboards, mouldings, and window casings; as it is equipped with a patented joint, no nails whatever will be visible.

"FUSE CLIP CLAMPS" are the newest offerings of Ideal Commutator Dresser Co. Consisting of steel clamping rings forced over the outside of the grip jaws by a knurled knob and nut unit, these clamps are said to cut down resistance, eliminate burning and pitting of blades and of grip jaws.

# Newsprint Strife and Headache

**United States and other countries are affected by complications in big Canadian industry. American production will increase if prices rise.**

CANADA'S newsprint industry is in a quandary. Bondholders of bankrupt companies, profitable producers, close-bargaining but all-important customers in the United States, tax-threatening provincial legislatures, and an eager, potential producing region in the Southeastern United States—all add complexities to the problem.

Canada is the world's largest producer of newsprint. This is one of the Dominion's biggest industries.

The United States in the last few years has produced a bare one-third of the newsprint it consumes. With the exception of a trickle of imports from Scandinavian countries, it fills the balance of its needs in the Dominion. In a good year—and the last three have been good—imports from Canada exceed two million tons.

Ten years ago, the United States produced about half of its newsprint at home. Price then was \$70 a ton. The bottom began dropping out of the market in 1928. When the low of \$40 a ton was touched in 1934 and 1935, the lower-cost Dominion product pretty well dominated the market, but some of the largest producing companies in the great timber regions of Quebec and Ontario had gone into the hands of the receivers, and most of the industry was nervous over the outlook.

As in almost every large industry throughout the world, the battle for the largest possible share of dwindling depression markets started a wave of price-cutting.

## Pledge on Prices

When the industry grew frightened during the slump, it accepted almost any kind of contract to ensure business. One of those contracts was "the interlocker," which pledges a mill not to charge more for newsprint in a given year than the price fixed by certain price-determining mills. One of these is the Great Northern, supplier to the great Scripps-Howard chain of newspapers.

As in almost every other line, business recovery has brought a mounting demand for newsprint. Wiseacres in the industry say that devaluation in Europe, steady recovery in the United States, and the special boost of the Coronation in Great Britain will lift demand in 1936-37 nearly 30%.

Newsprint raw material is limited by nature and may be limited by the new governments of Quebec and Ontario, and by the Scandinavian countries that look askance at over-cutting of timber.

Also, certain industries—especially rayon and plastics—are beginning to absorb rapidly growing quantities of timber. With a rising demand and a raw material that is limited, price futures look good.

This background explains a situation which is developing in the Dominion and is causing headaches as far away as London and New York. As far as the industry is concerned, prices are not rising rapidly enough, and there is a question whether anything can be done about it.

## Following the Leader

"The interlocker" is a major complication. When the industry was complaining that this year's newsprint price of \$41 a ton was too low, it frankly talked of \$45 for next year. That would be in line with the recovery in other commodity prices, and newsprint executives declared it would allow the industry to get on its feet again. But Great Northern set \$42.50 for 1937 contracts, and the others followed.

A second complication is the companies now in the hands of the receivers. If prices rise, there is the temptation to undersell simply to get the mill back into production. Receiver management in many cases functions at the command of impatient bondholders rather than with the long-term welfare of the newsprint industry in mind. So far, the industry has held together be-

hind a common front, but that front is too weak to lend much confidence to operators.

Newsprint from Southern pine is not an immediate threat, but it is an important factor in the five-year outlook. The Dominion knows that production in the United States is bound to rise as prices mount. Labor costs are higher in the United States than in Canada. But heretofore, United States competition has come from the Northern states. Now Georgia newsprint is still inconsequential, but high prices would give potential producers just the protection they need.

Attention in Canada centers on three companies—Price Brothers, Abitibi, and Consolidated. The first two are in the hands of receivers, and the last will need further moratorium on bond interest or some financial arrangement until the industry is back on its feet.

English interests have recently come into the picture. The only English group that controls its own supplies is Associated Newspapers (belonging to Lord Rothermere), which owns 51% of Anglo-Newfoundland Paper Co.

The others, including the big Beaverbrook and Berry groups, buy on annual contract.

## Rothermere in Spotlight

If the Rothermere group—including its associated *Daily Mirror* company—could buy control of Price Brothers (now held in receivership by Paona, Ltd., an organization set up by Aluminum, Ltd., and Lehman Brothers who control 97½% of Price Brothers first mortgage bonds), they would command the situation and could squeeze their rivals at will. On his recent visit to Canada, Lord Rothermere



**PAPER PROFITS WORTH HAVING**—Canada's pulp and paper industry has been booming for some time—last year's gross value of its products amounted to \$162,651,222 (32% above 1933) and the 1936 totals will be even larger. Newsprint makes up about 85% of the total tonnage. (Above: Ocean Falls factory, British Columbia.)

that front is confidence to pine is not an im-  
portant outlook. production  
is higher in Canada. But competition in the eastern states still incon-  
trol would give protection

If Beaverbrook could buy control of Price Brothers interests, he would seize the Berry group and the Odham group, which owns the *Daily Herald* (London), Beaverbrook's most powerful morning paper.

Here the problem rests.

United States newspaper interests see the facts coldly. They will not tolerate prices of \$112.60 a ton which newsprint sold in 1920. Even \$70 charged in 1926 and 1927 is high. Opinion in the industry is that any price above \$50 now would be the large-scale competitive South production. On the other hand, Scandinavians point out that the Finns are bullish on the price outlook. The Finns will not make contracts for 1938, anticipating both a flourishing market and a price of \$50 a ton.

## Why Spain Is Bleeding

Hitler wants Fascist government on French southern flank so he can attack Russia.

IN is a Tom Thumb battleground upon which Europe's next great war is being fought in miniature.

Future combatants are even testing their equipment, their skill, and the strategy of their leaders disguised as losing Spanish armies.

But a bigger issue is at stake. Fascist Germany and Italy are solidly behind Spanish rebels. Neither Mussolini nor Hitler can afford to allow a loyalist victory and the complete establishment of a socialist state friendly to both France and Russia. France can ultimately be "handled" if the Fascist states flank her on the south as well as the east.

Hitler's philosophy is that he can carry out his ambitions in the East, when he can be sure that Britain and France will not attack him in the west.

Britain, seriously unprepared for war, is taking many a slap in the face rather than provoke trouble before she is prepared to act with real force.

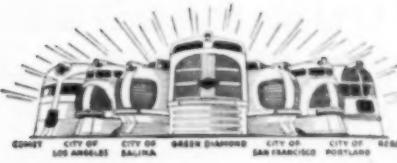
France has discreetly helped the Spanish government but may yet see a fit Spain on her southern border on her road to African colonies effectively blocked by Italian controlled fortified Balearic Islands. If France can be placed in that position, Britain is prepared to act firmly, reasons Hitler—will conveniently forget present treaty obligations with the Soviet.

In any week there are incidents which could set off the European war bomb. French or a Soviet vessel could be

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S WEEK

EMBER 28, 1936



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sunk in the new blockade of ports. France could refuse—when a request is made—to deliver to Franco government the Spanish which has been stored in Paris by the loyalists. Italy's virtual occupation of the Balearics could be contested.

Europe won't fight, however, until one side feels confident it has an edge over the other. With Britain holding back, the sides are more or less evenly divided. If France can be effectively isolated, Germany will be free to strike off for the East. But only on a campaign which will be short and decisive for Berlin is in no condition, economically or financially, to wage a long campaign.

If Mussolini is promised economic domination of Spain—in addition to his new African empire—he may be willing to back Germany's move to win a similar sphere of influence in Central Europe.

### Possible Delays

Though Russia is the real enemy, it is conceivable, in view of recent moves by aggressors in both Europe and the Far East, that Germany could subdue certain territorial and trade ambitions in Central Europe before ultimately coming into conflict with the Soviets.

This is the course to be expected. Every aggressive act that is intended to strengthen the aggressor in a future war is itself potentially an "incident" which can precipitate trouble, but the world is gradually becoming immune to such shocks. War, on the old familiar basis, may be delayed for some time, and we probably surprise even this expert world when it actually comes.

### Italy Losing a Market

Add to the list of products formerly imported to this country but now available from domestic sources the familiar tomato paste. The United States consumes about \$5,000,000 worth of food annually and all of it (12,000,000 lb.) came from Italy where a special pear-shaped tomato used for the paste is grown.

Sensing an opportunity when Italy turned its attention to military matters, two packing plants in Stockton, Calif., obtained a supply of tomato seeds from Italy about two years ago, planted them in the fertile soil of the San Joaquin valley, and awaited results. The plant was found to be particularly adapted to the growth of these tomatoes, and a new industry has been developed by two canneries, Flotill Products, Inc., and the Hershel Canning Co. Production is rapidly approaching a point where the entire United States demand can be supplied. Meanwhile, imports from Italy are decreasing.



The new issue of \$23,500,000 4½ per cent bonds due in 1971 was readily absorbed. Further Argentine refunding is expected to carry the total to \$230,000,000.

## France

**Industrial activity is climbing; dividends are up. Paris is not acutely alarmed over foreign developments.**

**PARIS (Wireless)**—French business is making rapid progress under the stimulus of devaluation, but stock markets reacted sharply when news of the Salengro suicide was revealed, proving that France is more immediately worried over the internal situation than complications anticipated in the Spanish zone.

Steel, silk, and textiles are outstandingly active on the industrial front. Shopkeepers expect the retail rush to carry into the new year. Tax receipts on stock deals will quadruple the 1935 returns.

Experts think the rise in the Paris stock market is only beginning, because the level of prices is still considered very low and dividends are bound to go up. A 50% increase in the dividend of Les Acieries du Nord et de l'Est is typical of what can be expected all down the line.

Steel deliveries are running 12% ahead of last year in tonnage; October automobile sales were 25% greater than in 1935; and railroad traffic in the latest week for which statistics are available showed a 20% gain over the corresponding week in 1935.

France is obviously reacting to the German-Japanese agreement very much as Berlin desires. In Paris, it is considered a lose pact which at most indicates Germany's desire to concentrate expansion in the East.

## Germany

**Soviet tension grows. Trade pact with Canada may be model for negotiations with U. S.**

**BERLIN (Cable)**—Germans have been living in a fever of war preparations for so long that the latest episode in the Spanish affair has caused only a slight stir in Berlin business circles. Informed Germans, nevertheless, who are in contact with reactions in other European capitals, are apprehensive over the possibility of an incident between the fleet which is supporting the Franco faction and Soviet transport ships bound for Spanish government ports (page 41).

The United States should watch with some concern the working of the new German-Canadian trade agreement. It is the kind of a pact Germany wants, providing for a 1 to 1 business in both

**TO TOWERS AND WINDOWS, YEA, TO CHIMNEY-TOPS**—But the speaker before the men of Rome is not Marullus, the tribune of *Julius Caesar*. He is Mussolini, the idol of millions, the socialist editor turned fascist chief, the conqueror of Ethiopia, and the biggest figure behind the scenes in the present Spanish civil war. Il Duce is pictured here in a recent address, assuring his people of Italy's shining destiny.

## Business Abroad

**Buenos Aires will not attempt to present united front on Spanish issue; but a successful conference would give Roosevelt new bargaining prestige in Europe.**

RESIDENT ROOSEVELT'S visit to the Inter-American conference at Buenos Aires has four purposes: (1) To impress Latin America with the sincerity of his "good neighbor" program; (2) to cultivate Argentine officials in particular, in view of the difficult trade agreement yet to be negotiated; (3) to make it plain to Europe and Japan that this country will spare no efforts to develop closer cultural, trade, and peace ties among the Americas; (4) to lend weight to efforts next year toward some plan to help Europe maintain the peace.

In spite of close ties between Spain and Latin America, no effort will be made at Buenos Aires to open up the Spanish question. Nothing more than local rows between factions would result, for there is no unanimity of opinion on the question.

### Hitler Strategy Succeeds

Europe develops a case of the jitters at any sign of positive British action in the Mediterranean. The week's developments sent markets off, but a full announcement of London's stand proved as innocuous as ever. Britain won't move until British arms are strengthened and improved—unless Germany provokes it, which Germany will not do. Hitler's strategy of isolating France and keeping on good terms with Britain as preparation for action in Central Europe has not yet failed at any major point.

That Europe expects trouble eventually is evident in the fresh wave of rumors that leaders are preparing to open negotiations with Washington on war debts. Object is to remove the barrier to fresh loans from the United States, impossible under the Johnson act when a nation is in default to U. S.

Britain, France, and Italy have raised the question. Britain would fit the topic into trade treaty negotiations which are already proceeding informally. Italy also wants a trade treaty, and is desperately in need of a big loan to finance the exploitation of Ethiopia. Washington may make its own offer, linking war debts, trade, and non-aggression, and involving leaders of the present conflicting camps in Europe.

Europe was evidently as much impressed as the United States with the spectacular success of the Argentine's first conversion operation in New York.

directions, with definite German commitments to buy specified Canadian products with the proceeds from German sales to Canada.

Berlin wants such a deal with the United States, and would go so far as to earmark a fixed percentage of export proceeds for servicing the Daws, Young, and other debts owing in the United States. Washington has given no indication, however, that it will enter anything but a most-favored-nation deal, though it is eager to help draw Germany back into the international trade stream.

## Great Britain

### Government recognizes hardening interest rate in London. Professional market speculators are likely to be curbed by law.

LONDON (Cable)—The £100,000,000 funding loan of 1952-57 which was issued this week at 98½, with interest of 2½%, implies government recognition of hardening interest rates and caused an immediate easing of prices for other gilt edged securities. Most recent previous government borrowing was at 2½%.

Though the new crisis in Spain caused a selling flurry in the stock market, prices are still at boom levels. An interesting change in speculative buying is taking place, nevertheless. Most professional punters realize that industrials are far too high, even those benefiting from rearmament, and they have turned their attention to commodities and commodity shares. This accounts for the recent boost in commodity prices. With the usual lag, the skepticism has now spread to a broader trading group. It is reflected in wider commodity trading and in the spread of buying to the New York market. American stocks are a better buy now than English in the eyes of most British traders.

The widespread feeling that the British market is overextended now has

focussed interest on the tardy efforts of the government to curb "share pushers" and generally to protect the small investor. The Board of Trade is to appoint a committee to investigate "share pushing," but has refused to act until the new law covering investment trusts is passed.

Britain's investment trusts are already well regulated by an unofficial committee, but the stock exchange in a recent report advised that legislation was desirable. The new law will probably contain a clause demanding a deposited sum by the managers as a preliminary to offers—very much as Lloyds demands a deposit from underwriters and the law demands a deposit from pawnbrokers.

### Investment Trusts Gain Favor

The new bill—if it is passed—will not cripple investment trusts, for the national attitude toward them now is quite favorable. They have proved a buffer to markets and not a danger as their original critics of five years ago expected.

The new wave of unpopularity of the Baldwin government has roused new speculation over the political outlook. Recent changes in the cabinet were arranged purely on old party lines. This has further disgusted the public, which wants new and vigorous blood to handle the rearmament program. Even Winston Churchill would have pleased the very section of the public which most distrusts him.

When Baldwin leaves the cabinet after the coronation (as every Englishman expects he will), and Neville Chamberlain comes in, strong pressure will be brought to bear to persuade him to broaden the basis of government by calling in men of business (as Lloyd George did during the war) and by creating a small inner Cabinet of Action, consisting of about five ministers. As things are, the only thing that keeps the National government in power is the general feeling that the only alternative is socialism, with no first rank men in command.

**THIS WAR AND THE NEXT**—The veterans (right) marching in the Moscow parade celebrating the 19th anniversary of the Russian revolution are not Russians, and not relics of the

World War. They are Spaniards, wounded in a war which is now going on. And, in preparation for future military events, Russia scans the skies (anti-aircraft guns, left).



## Canada

**Dominion and British defense materials orders not expected until January. Alberta inaugurates minimum wage law.**

OTTAWA—Canada's best customer during October was the United Kingdom, according to the Dominion Bureau of Statistics. Of exports totalling \$110,998,708, more than \$47,700,000 went to buyers throughout the Empire.

Compared with October, 1935, total exports show an increase of 22.6%, exports to the United Kingdom an increase of 11.3%, and exports to the United States an increase of 38.4%. The increase to all British Empire countries amounted to 10.9% and to all foreign countries 37.2%. The United States contributed largely to the total increase over the same period last year, the exports amounting to \$44,582,810 compared with \$32,213,000. A substantial increase in exports to Australia was also reported, amounting to \$3,058,625 as against \$2,475,796.

Imports during October totalled \$65,187,974, making a total foreign trade for the month of \$176,181,483. The high level attained by Canadian trade last month is indicated by the fact that the October exports exceeded those of any other month since November 1929.

### Defense Debate Due Soon

No official announcement in connection with the new Canadian defense program, and the heavy orders for munitions and war materials expected from the British government, is anticipated until parliament meets in January.

Two Dominion-provincial government conferences are scheduled for December. Finance Minister Dunning will have provincial treasurers convene at Ottawa to see what can be done about organizing a national finance council which will act in an advisory capacity in future loan and refunding operations, while the Hon. J. G. Gardiner, Minister of Agriculture, will call provincial agi-

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POP



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**JAPAN SHOWS HER MIGHT**—Shanghai, where this picture was taken last month, has had a chance to see the mechanized might of Japan's army, since the flareup between Chinese

snipers and Japanese sailors. This group of tanks was ordered out of barracks and sent on a tour of the Hongkew section to give the natives an idea of what they were bucking.

culture department heads to lay plans for the reorganization of the federal department on lines that will give greater attention to marketing of agriculture products both at home and in foreign countries.

Western Canada insurance underwriters are protesting against the Alberta government transferring \$7,000,000 of insurance from Alberta dealers to an English company. They claim that the reputed saving of between \$50,000 and \$100,000 could not be determined by comparing the two insurance setups because they are on different terms.

As a result of legislation passed by the Aberhart government in Alberta last April, a minimum wage law for men, one of the few in Canada, is now in operation. Under this law a board of three will be appointed to inquire into industries, set wage schedules and enforce regulations. It affects all industries except farm labor and domestic service. Like most provinces, Alberta had a minimum wage law for women but this is the first for men.

## Far East

**Chinese business sets 25-year records. Building boom is under way in Nanking.**

CHINA so far this year has enjoyed greater economic prosperity than in any year since the establishment of the republic, 25 years ago, though drought during the last month is jeopardizing the winter wheat crop. In addition to bountiful crops, the farmer is blessed with higher prices and is now buying clothes, supplies, and equipment needed for many years. As a consequence, Chinese industry has shown very favorable improvement. Surplus commercial products of previous years have almost entirely disappeared as the Chinese purchasing power reaches its greatest peak in 25 years.

Flour milling is booming; consumption of domestic electric power has shown wide gains; remittances from overseas Chinese have increased; cigarette consumption is up. Indicating the big

demand for space, shipping companies have raised freight rates.

As a typical example of many noteworthy changes, Szechuan province, long torn by internal strife, this year has purchased more phonograph records than all of China five years ago. Another example is the sale of soap which has risen to where it is an all-time nationwide record.

Chinese interests are planning construction of a \$3,000,000 railway bridge across the Yangtze at Hankow.

## Building Boom in Capital

More new construction is under way in Nanking than in any other city of China. The population is now nearly 1,000,000, in comparison with 350,000 nine years ago when the capital was moved there from Peiping. In addition to government buildings, banks, business houses, residences, schools, and industrial plants, municipal utilities are being developed. The municipal power plant has been recently increased to 30,000 kw. capacity, with 20,000 kw. to be added ultimately.

The positive, energetic foreign trade policy being pursued by Japanese manufacturers and exporters in this part of China was further manifested by an exhibition of Japanese goods at Tsingtao recently, at which canned foodstuffs were particularly featured.

## Latin America

**Mexico makes plan to boost tourist business; buys machine equipment in United States.**

WITH the record influx of tourists following the opening of the Laredo-Mexico City highway, the Mexican government is going ahead with plans to boost this business in the United States. Space was engaged in the International Building, Rockefeller Center, New York, this week by the Mexican government for a tourist information bureau and arts and crafts exhibition.

In Mexico City, the Dow Chemical Co., of Midland, Mich., has opened a

branch office under the name of Dow S.A. Construction will begin immediately on a plant in Tampico, machine for which has already been delivered and tank cars and other rolling stock are on the way. President and General Manager of the Mexican branch is Dr. Jose Polak.

The Fulton Iron Works Co., of St. Louis, has just won a contract for \$2,500,000 of machinery and equipment for a new sugar refinery to be built in Zacapec, in the "sugar bowl" state of Morelos, Mexico. About 10,000 small sugar cane raisers in an area about half the size of Missouri, most of them using land and equipment sold them by the government on long terms, will sell their crops to the new cooperative plant for refining and disposal. They will receive for the cane some cash, credits against the purchase of land and machinery, and later will have an interest in the sugar mill itself.

## Early Payment for Machinery

This refinery is the first of four to be constructed over a 2-year period. Machinery will be delivered within eight months and the contract calls for payment of 95% of the total cost before shipment is made. Capacity of the new refinery is 2,500 to 3,000 metric tons a day.

This deal is similar to many which the Mexican government is making with manufacturers of machinery in the United States. Officials have already announced that they intend to make Mexico independent of plow imports. Orders will be placed before the end of the year for the machinery necessary to equip factories in Mexico large enough to supply the country with plows.

More complicated machinery, and items for which Mexico has no market adequate to support a domestic industry will be purchased. Automobile sales officials estimate that 1937 sales of passenger cars and trucks will be 20% greater this year than last. Most of these cars come from the United States.

## After The Vans

"The railroads are not such a problem"—but the "other interests" puzzle Cleveland.

GEORGE A. BALL, Muncie fruit-jar manufacturer, and George Ashley Tomlinson, Cleveland lake-shipping magnate, both 70 or over, were somewhat quiet this week by the sudden descent on them of a huge responsibility. Mr. Ball owns two-thirds and Mr. Tomlinson one-third of the stock of the Mid-America Corp., which bought for some \$3,000,000 the equities in Allegheny and other holding companies which controlled the railroad and real estate empire of the Van Sweringens. Messrs. Ball and Tomlinson had said a year ago, in buying in these equities from the New York bank syndicate which sold them out as the collateral for Van Sweringen loans (*BW*—Oct. 25, p. 9), that they were taking them only if the Vans would continue in the management. Then "M. J." died last December. And "O.P.", his partner in great railroad ventures, died in a railroad car at Hoboken, N. J., this week.

### Heavy Debts

The latter had been in sole charge of the properties to the last. He had the right to buy 55% of Mid-America if he could satisfy the directors he had adjusted his personal obligation. His personal and business debts included \$20,000 owed to Cleveland banks now in liquidation, together with \$43,000 of contingent liability on the New York notes. His personal estate was small, mainly insurance.

It was expected that Charles L. Bradley, wealthy Cleveland real estate owner who joined the Van Sweringens many years ago, would continue as the executive of Mid-America. Others men-

tioned as successors are Col. Leonard P. Ayres, who has been a Van Sweringen adviser, John P. Murphy, "O.P.'s" personal attorney, and E.M. Ball, nephew of the Muncie fruit-jar maker.

Of the new responsibility, Mr. Tomlinson said this week, "The railroads are not such a problem. They are doing remarkably well. It is the varied other interests that require the most careful consideration."

These "other interests" include several downtown business buildings in Cleveland, a rapid-transit line which never made a profit, and some 25,000 acres of suburban real estate, valued on statements at \$29,000,000. "O.P." was

the only man in the group recently who thought that the link between the traction and real estate could be continued. It is believed the reorganizations now in progress will aim to set them on their own feet. The downtown buildings rest on air rights and their ownerships are strangely complicated.

The Cleveland Railway Co., street-car properties, is expected to be released through expiration of the Van Sweringen option to buy it from the stockholders through Metropolitan Utilities. The rapid transit line may have to be sold to suburban municipalities. Home offices of the Vans' railroad systems are expected to continue in Cleveland.

## Money and the Markets

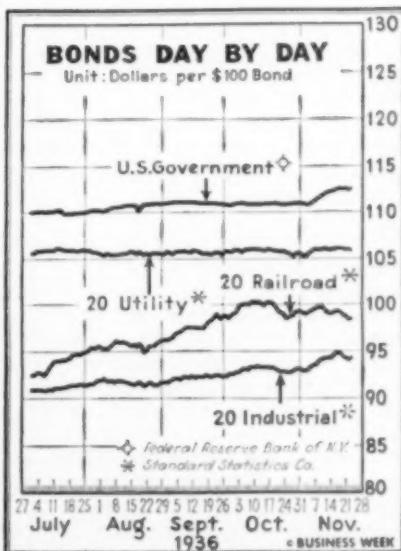
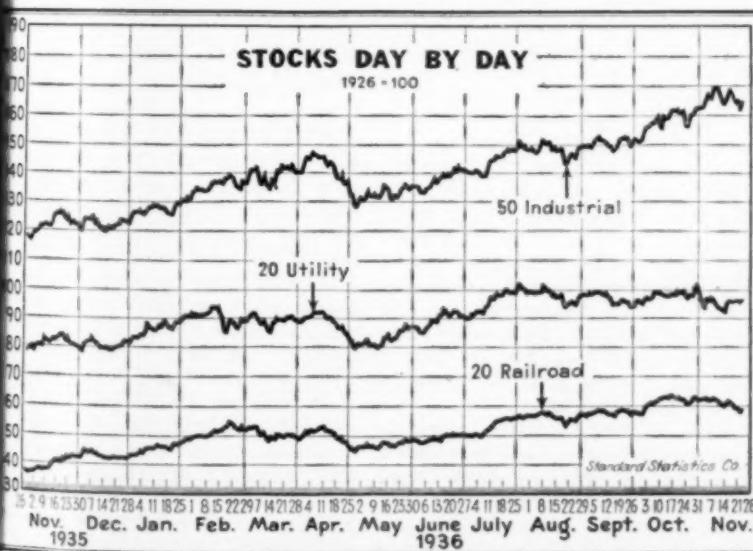
**Uneasiness spreads through financial world as Federal Reserve Chairman Eccles hints of a further move to curb excess reserves. But Washington does not intend any marked tightening of credit.**

JUST when the money market was ready to settle down to a long period of ease and plenty, ominous clouds gathered over Washington. Tension gripped the marketplaces and the financial press. It was as though storm warnings had been sent throughout the land, and yet there was none to say why further efforts to sterilize part of the excess reserves should have any more serious repercussions than the rise in requirements last Aug. 15.

There was every indication that stock markets were seriously worried (with talk of more delicate control of credit coinciding with renewed war scares and an apparently overbought situation). Yet no one really seemed to think that credit would be sharply curtailed, that

money actually would be made dear. It just seems that Wall Street is queasy. When the politico-economic lightning zips out of Washington, stock traders are sure they ought to dodge, no matter which way the bolts seem to be headed. So it is at the moment, even though there seems every assurance that neither the White House, the Treasury or Congress would look with favor on marked credit tightening.

This is not to say that there isn't something in the cards after the turn of the year. Chairman of the Federal Reserve governors, Marriner S. Eccles, has given a broad enough hint of that, but he mentioned only "taking such action at such time as appears to be necessary in the public interest." Public



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interest wouldn't be served by action that would make it more expensive for Sec. Morgenthau to rent the money the Treasury has to borrow.

What it boils down to is this: Last week there was an exceptional lot of bankers and Federal Reserve officials down in Washington. The Reserve's advisory council and open market committees met with the governors. And the presidents of the 12 Reserve banks were in on a lot of the conferences. They were putting together their ideas on behalf of the Treasury, figuring on what securities are best adopted to taking care of maturities running to slightly over \$800,000,000 on Dec. 15.

### Where the Answer Lies

But these meetings came just after President Roosevelt had seen Chairman Landis of the Securities and Exchange Commission and Reserve Chairman Eccles, preparatory to framing his "hot money" views on foreign investments. All these meetings dovetailed perfectly, because if anyone is to figure out the answer to the problem posed by foreign funds finding lodgment on this side of the Atlantic, it would seem to be the Reserve authorities.

What they're up against is clearly visible to the naked eye. The boost of

50% in reserve requirements last Aug. 15 was of little more than temporary effect. Gold has continued to flow into the country, the Treasury has done a bit more deficit financing, and both factors have built up the excess reserves again. They're now \$2,270,000,000, a rise of more than \$500,000,000 since the low of \$1,714,000,000 at the last Treasury financing date in September and \$1,813,000,000 on Aug. 19, just after the hike in reserve requirements.

The Federal Reserve, of course, could boost the requirements again by the same amount as the August increase. But there are a lot of drawbacks. A boost probably would force a good many banks to resort to rediscounting in order to bolster reserves. Last summer reserves went down from \$3,167,000,000 to \$1,813,000,000. This time it would be from perhaps \$2,300,000,000 to a little over \$1,000,000,000. That would leave an ample credit base, but it's getting down closer to the point of a squeeze in a few isolated cases.

Moreover, there is a certain inflexibility about altering reserve requirements. There must be advance announcement. The newspapers play up the inflationary or deflationary angles of the case. All in all, a lot of fuss and feathers to make news from prosaic figures.

But the fuss creates some apprehension in financial circles now, and it would be worse, much worse, if foreign gold began to flee the country and the Reserve people had to reduce requirements once or twice. Such action would simply serve to emphasize the flight to plant signal flares around whatever threat there might be to the dollar's stability.

For these and other equally apparent reasons, talk of open market operations rather than higher reserve requirements is getting a lot of attention. First of every time gold is imported, the Federal Reserve or the stabilization fund could sell government securities on the market so that new excess reserves would not be born. This could be a routine, normal, and quiet process that wouldn't scare the chicken-hearted. Moreover, it could be reversed to plow money into circulation without any stir.

### It's Different Now

Back in the boom days of the 20s the Reserve Board was armed with the rediscount rate as a curb on money rentals. Also, acceptances were bought or sold in the open market. But since the government launched the easy credit program early in the depression, discount rates have been a purely nominal thing and there hasn't been any commercial paper around to buy or sell.

Thus it is that new machinery is imperative. The 12 Reserve Banks for months have had in their joint possession some \$2,430,000,000 of government bonds of various maturities. Some \$600,000,000 generally run for no more than six months. The Reserve wouldn't even have to sell bonds to neutralize a big jag of excess reserves—it could just let its short maturities expire without replacement. If the Treasury's stabilization fund owns any government bonds, notes, or bills, it could handle them in exactly the same way and accomplish the same purpose.

### Social Security Will Take Some

It can be argued that this would tend to depress government bond prices, and that other obligations would slide with them. But don't forget that the open market can absorb a lot of governments without feeling overstuffed, and that Social Security has come along to take \$300,000,000 of federal bonds next year, more in succeeding years. Deficit financing, if it doesn't short-end, as is now hinted, will be clipped (Reserve members banks, that have added \$7,233,000,000 in deposits since 1933 and put \$5,784,000,000 of them into government bonds, won't kick).

One of the surprising developments in finance has been the rise in money market circulation. Currently near \$6,400,000,000, it is the highest on record with the exception of the banking crisis period early in 1933.

## Battling Andrews

**Head of Dictograph declares stock suspension is due to sabotage by SEC.**

RIGHT which began obscurely enough one over electric razor patents has developed into a battle royal in which all comers appear welcome, no odds barred. Riveting attention at the moment is a slugging match between the Andrews (dominant figure in Dictograph Products, manufacturer of Packard Lectro-Shaver) and the Securities and Exchange Commission. Mr. Andrews, a seasoned litigator, started throwing injunctive lefts and rights with abandon last week after the New York Curb Exchange suspended trading in Dictograph. The immediate cause was a collapse in market price which carried the stock down quickly from 25 to around 19. The suspension was briefly explained by Curb authorities as "due to the condition of the market in the stock." But Mr. Andrews, running to court, charged that condition of the market was directly attributable to SEC sabotage, that stockholders will be scuttled if the commission's activity is not enjoined. Stockholders took a terrific beating. The shares which sold as low as 5 7/8 this year, had plummeted from a peak of 38 to 25 prior to the Curb suspension order, went off the list at approximately 19, and crashed to below 10 in over-the-counter dealings.

### C in Action

Behind this mêlée was an action started by SEC charging Andrews, A. Andrews Investment Corp., Pirnie & Co., and others with manipulation of the price of Dictograph (*BW*, Aug 22 '36, p 42). Subsequently, a Dictograph statement charges, SEC advised brokers and bankers against investments in the stock and that "because of the fear inspired . . . by these activities a general attempt was made by all parties to dispose of their stock" simultaneously.

There had been little response market-wise to the United States District Court decision late last month which held that Dictograph's Lectro-Shaver infringed Schick's patent covering cutting of hair by an electric dry-shaving device. (The court also held that the Schick patent on egress channels for cuttings was not infringed.) Dictograph appealed the verdict and, when Schick went after an injunction to prevent further manufacture of the Lectro-Shaver, got a stay pending the outcome of the appeal.

This maze of litigation is reminiscent of stormy days near the close of Mr. Andrews' tenure as president of Hupp Motor Car Corp. Former officers sued out him, the two camps appealed

frantically to stockholders for proxies, the price of the stock melted almost to the vanishing point, and finally the Stock Exchange applied for permission to throw the shares off the board.

In the Hupp case, though, Mr. Andrews got along better with the SEC, the commission denying the Stock Exchange's request. Subsequently, however, he took the count in the battle for control of the automobile company.

**Dead Regulator**—Once upon a time, gold was the traffic regulator in international exchange. When a currency got weak, gold flowed out of the country and equilibrium in foreign exchange was restored. It worked fine, so long as the world itself was in relative equilibrium. But the war and the subsequent post-war financial changes, including the depression, played hob with the gold standard automatism.

No longer are currencies freely convertible into the yellow metal. Instead, governments have taken to managing their own currencies, internally and externally. Perhaps the world has been a bit slow in recognizing how fundamental the change has been. Economists have pointed it out from time to time, but it remained for Leon Fraser, vice-president of the First National Bank of New York, to say the final obsequies. He predicts a form of monetary stabiliza-

tion which will "not attempt to be merely automatic in its operation."

Mr. Fraser formerly headed the Bank for International Settlements, which was designed to make it possible for the "true gold standard" to function easily. His observation, hence, takes on heightened significance. The vital point, of course, is that six major financial powers (United States, Britain, France, the Netherlands, Belgium, Switzerland) are policing their currencies in foreign exchange by means of stabilization funds; and two other countries (Italy and Germany) are managing their currencies through control of capital movements and foreign exchange.

Governments have taken over the functions which formerly fell primarily to the province of commercial banks. There is little reason to believe that these functions will be relinquished. The theory is it's the people's money, and now that the politician has his hands on it—for better or for worse—he is likely to insist upon retaining his grip. The results are dual currency systems. In the United States, for example, we have for internal purposes non-convertible paper currency, which is a medium of exchange for groceries, etc. For external purposes — trading with other nations—there is still gold, but Sec. Morgenthau, ruled this week that bullion can be shipped solely by the



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A. T. GIBSON, President

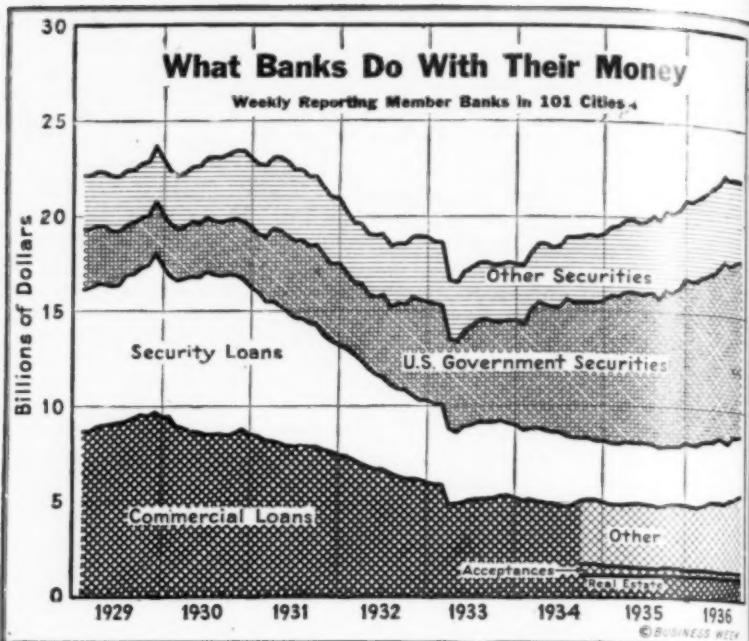
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stabilization fund. This completes the circle of political control.

**Tax Dividend Aid** — Companies which want to wait until the last minute to appraise 1936 results before declaring dividends to avoid undistributed earnings taxes have been extended a helping hand by the New York Stock Exchange. Heretofore the exchange has required that it be notified ten days in advance of the stock-of-record date — the day on which the shareholder's name must appear on the company's record books if he is to receive the dividend.

Now the Stock Exchange notification time is cut to three days prior to the record date, giving corporations an added week to make up their minds on the amount of their tax dividends. There then must be a lapse of ten days before the payable date, and the government requires that checks actually be in the hands of the stockholder by December 31 if they are to be credited against surtaxes. Assuming distribution of checks can be accomplished in four days, this would require that dividend declarations be made at least seventeen days before the end of the year.

**Commodity Orphan** — Pepper hasn't had a friend, marketwise, since the spectacular collapse of the London pepper pool's attempted corner late in 1934. In fact, the price now is not far above the



recent all-time low of 3 7/8c a lb. and *Business Week's* London correspondent reports that the market in which fingers were burnt is stagnant while other commodities are in high favor.

If a broader market will do the depressed commodity any good, a helping hand has been extended by the Ameri-

can firm of Lamborn, Hutchings & Co., which inaugurated futures trading last week on an over-the-counter basis. Initial trading was around 4 1/4c, which compares with the 1929 high of 27c, a price of about 7c before the London pool went to work, 12c just before the attempt to corner the market failed and sent respected James Shakespeare to the wall.

New York now claims to be the largest spot market for pepper, with approximately 25,000 tons (more than half of 1935's bumper crop) stored in metropolitan warehouses. Sponsors hope there will be enough interested in futures trading to justify putting pepper on the Commodity or Produce Exchange. At present the trading unit is 33,600 lb., the minimum price fluctuation .01c a lb. or \$3.36 per contract.

**Comeback in Hides** — They are singing the blues any longer around the hide markets. Shoe sales are excellent, consumers have more money and are buying higher-priced footgear, and leather prices recently have made the best progress since the drought of 1935.

It's the same story that is being told day after day in other commodities. Supplies which were surpluses in 1933 and 1934 are scanty in 1936. There wasn't as much distress-dumping of drought-stricken cattle on the market this year as two years ago. The government didn't have to step in and take surplus hides to avert market democratization. And to repeat: All God's chillun got shoes this year.

The only worry is that speculative sources have quite a lot of hides to stand them a nice profit and they'll be scalping profits before long.

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NEW ISSUE

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November 23, 1936.

## Editorially Speaking—

B. BACON, the coroner at Waterbury, N. Y., warns motorists to be careful as they approach railroad tracks, because "tains have the right-of-way." And the right-of-way.

TARLINGS are heavy sleepers. The sparrow and the redbird wake up weary-eyed and lethargic. The robin, the catbird, and the wood-thrush pipe prettily in their first morning notes. But the blue-jay, according to the Department of Agriculture expert who recently spied on the birds at the dawnings—the blue-jay is a bird of another color. The blue-jay gets up right willingly and delivers his warbling with septic cheeriness.

The blue-jay, in his human shape, is crack salesman. But never, or hardly ever, pick a blue-jay as your company controller or treasurer. There are birds that belong by right to the men who get up grouchy.

YOUNG RABBIT prides, as expressed by William Lemke: "I am still proud of the American people, but I am surprised at their poor judgment."

In a corner of his barn the Gentleman of the Fiscal Desk discovered a hoard of hickory nuts. He took them away. Exactly what the squirrels said when they discovered their loss is unascertainable, but anyhow they seem to have made up their minds for revenge. They waited till he went away for a few days, taking four or five pounds of hickory nuts in a basket and in a string shopping-bag on a windowsill in the farmhouse. When he came back the basket was empty and there were only half a dozen nuts in the bag, which had been sawed through in several places. The intruders had apparently entered through the chimney and the fireplace. Sharper than a serpent's tooth is the tooth of a squirrel, and in memory he rivals the elephant.

LAST week an advertising agency sent a questionnaire to many corporation secretaries, and this was one of the answers: "Your questionnaire addressed to Mr. \_\_\_\_\_ was duly received and contents noted. Mr. \_\_\_\_\_ passed away last March, so we are returning the above mentioned blank unanswered." The letter was signed by the new secretary.

HERE has rarely been a well-known piece of legislation with a name so bulky and inharmonious as the Robinson-Patman act. The first accented syllable is followed by two that are unaccented, and then comes another accent. English-speaking people find such a succession of syllables hard to

say. It runs counter to the habit of their language. When a clumsy name has to be used frequently, people tend to shorten it or substitute a nickname, and that's why Robinson-Patman is now being called R-P.

EAGER to get a better understanding of culinary herbs, 200 women went to a hotel the other day and watched the banquet chef use plenty of herbs in preparing breast of chicken, home style. His ingredients included half a teaspoon of ground juniper berries, half an ounce of chervil, half an ounce of chopped tarragon, half an ounce of parsley, a little bay leaf and thyme, and a small glass of brandy.

Bay leaf, thyme, parsley, juniper berries, chervil, and tarragon have a place in such a demonstration, but in what garden or woods does the chef pick the brandy?

RUMORS have drifted in from London about the remark of a Paramount photographer to the dean of Westminster Abbey during a discussion of plans for filming the coronation ceremony next May. "Look, dean," he said, pointing at two stained-glass windows of ancient vintage and ineffable value, "there's a place we'll need for a camera. Those two windows will have to come out, for the time being."

It's reported that the dean simply goggled at him speechlessly. But that is an outrageous slander. We have it on reliable authority that the dean gave him a bland smile and a regretful shake of the head and murmured: "Not those two windows, my dear chap, no. But how would you like my right eye?"

SOME time ago the Gentleman on the Promotion Desk was back in his home town, and on the street he met the family doctor. "Come along for lunch," said the doctor, and took him to a lunch meeting of the local medical society.

It was very interesting for a layman. One by one the doctors told of some recent patients of theirs who had died. The disease and the treatment were described, the efforts to prevent death, and the final victory of death. About ten doctors told such stories, and there were questions and answers and discussion, and everything went along swimmingly until the eleventh doctor told about his last patient who had died. Then it turned out that all the other doctors thought the patient shouldn't have died, and the eleventh doctor got as sore as a boil.

HAVING beaten Sen. Dickinson, Gov. Clyde Herring of Iowa will soon go to Washington, where he probably won't be surprised if they nickname him Red.



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NOVEMBER 28, 1936

## Let Them Be Counted

It is not clear why President Roosevelt should have rejected an unemployment census and accepted, instead, Gen. Johnson's suggestion of voluntary monthly registration by the unemployed. Even the Johnson plan is not voluntary, since it carries a penalty, namely, the withholding of relief from anybody who does not register.

The plan, in other words, means coercion of those who want to get on relief; and it means nothing whatever to those who do not want to get on relief. They would have no motive for registering, and so they would not register, and the government would get nothing but a list of relief applicants—which it already has. It would not get a count of the unemployed, which it does not have and badly needs.

The President's announcement was the more emphatic because it came on the very day when Works Progress Administrator Hopkins, in a speech to the Mayors' Conference, was urging an unemployment census. Secretary Roper had taken the same stand. But the President turned them both down.

He said the cost of an unemployment census—estimated at \$15,000,000 to \$20,000,000—would be too much. It would be cheap enough if it provided us with the facts we need about unemployment. We have light-heartedly spent much more than that for projects that proved to be a total loss.

He also said the census results would be out of date in six months, because of fluctuations in employment. Are the figures on the national income, which the Department of Commerce publishes annually, out of date in six months, because of fluctuations in income? Business statistics always fluctuate, but they are always necessary just the same. They show us definitely how conditions were six months or three months or a month ago, and then we make estimates of changes since that time. Our estimates would be of little use if we had no exact statistics as a point of reference.

To be sure, Mr. Roosevelt can find a practical political objection to an unemployment census. It might embarrass him politically if he had to announce that there were eight or nine million unemployed, by actual count. But the country ought to know, as closely as it can, what its unemployment problem is.

There are different kinds of unemployment, and some of them, indeed,

are not unemployment at all, by ordinary standards. "The part-time workers, the self-employed, and others create census problems," as Mr. Hopkins says. "But the job must be done." When it was finished we would know how many people there were in the different classes of unemployment. We would list them by age, sex, and skills; by their actual need for a job; by their preference for part-time, seasonal, or pin-money work. Even in the most prosperous times we have a large number of unemployed, many of whom are not an unemployment problem at all. We ought to learn all the facts about all the kinds of unemployment, so that we could do what was necessary and avoid doing what had better be left undone.

## Employers as Victims Of Strife in Unions

In the shipping strike that began at the end of October, employers were confronted with one of the most difficult and complicated situations in the history of American labor relations. On the Pacific Coast the strike was started by unions of various and conglomerate kinds—seamen, longshoremen, warehousemen, and others. On the Gulf Coast and the Eastern Seaboard it was less extensive and formidable but had a special complication of its own, for there the strike was called not by unions but by rebellious groups within unions.

But it would be a mistake to assume that union dissension had nothing to do with the strike on the Pacific Coast as well. The very fact that the strike there was not called by the entire International Seamen's Union or the entire International Longshoremen's Association is a sign of the true situation. The unions on the Pacific Coast have in effect seceded from their internationals. They are acting independently. They make independent agreements, call independent strikes, and win or lose independently.

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